

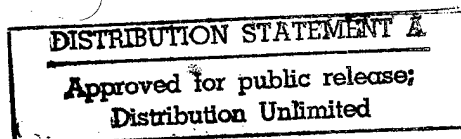
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# West Europe Report

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14 JANUARY 1987

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## BRIEFS

BULGARIAN YOUTH UNION DELEGATION--A 2-member delegation from Bulgaria's Dimitrov Communist Youth Union has arrived in Cyprus on a 3-day visit. The visit comes in response to an invitation from the Central Committee of the United Democratic Youth Organization, EDON. The delegation is composed of (Anton Velichkov), secretary of the Central Committee, and (Yiannis Stoimenov), member of the International Relations Bureau. They met with AKEL secretary general Ezekias Papioannou. A statement has been issued which says: "The members of the Bulgarian delegation reaffirmed the firm support of their country's people and youths for the just, anti-imperialist, and anti-occupation struggle being waged by the Cypriot people under the leadership of AKEL, the party of the Cypriot workers." During its stay, the delegation will also take part in a gathering on Saturday sponsored by EDON at Nicosia's Ledra Palace Hotel under the slogan "Cyprus Belongs to Its People." [Text] [Nicosia 0 FILELEVETHEROS in Greek 12 Dec 86 p 12 NC] /12624

CSO: 3521/39

## PAPANDREOU'S POLITICAL IMAGE SEEN TARNISHED

Athens I KATHIMERINI in Greek 7-8 Dec 86 pp 6, 7

[Article by Khristos Karanikas]

[Text] The government resorts to desperation moves in domestic and foreign affairs in an effort to stop its advancing decline. Changes inside PASOK are occurring at a time when the opposition has started its aggressive tactics following a waiting period after the election.

The coming weeks may prove decisive for PASOK's authority as it now becomes obvious that it is incapable of counter action even to preserve some forces for defense. The premier's political image is worn out and has lost all its charisma. So, he finds refuge in the inner circle of his family environment and their common interests.

The PASOK leader has lost his old propaganda image: that of the invincible in the municipal elections; that of the incorruptible and the accuser in scandals; that of the nationalist in the bases and free radio; and that of the Third World leader in practices of the Banana Republics.

This affirmation came at the time of the worst economic crisis since the war. It confirmed the ignorance of the present leadership in economic matters, even in some tolerable management. In a political sense all these signify the desertion of leadership by the overwhelming majority of PASOK voters--and also the departure of many followers and cadres who already have started on the difficult road of finding another political home at a time when the government has made a mess even in the issue of rents.

Concessions to the Americans--the bases and private capital--and also to the Europeans--the practice of voluntary submission--were received, unfortunately for Papandreou, with contempt.

The socialists of Southern Europe, Craxi, Mitterand and Gonzales, kept Papandreou out of their initiative for peace, probably because they do not consider him very peace loving. On the other hand, our country's economic reliability abroad is now at the lowest level in decades, while our needs for foreign loans are at the highest. Papandreou must now go back to his knowledge of econometrics to find some trick to solve the puzzle.



The bridges to the Left were cut off definitely for the PASOK leadership, while the chances of communication with the conservative camp are nil. Even worse for the government is the tactic of contempt applied by both ND and KKE. They attack the government only to the extent it is necessary, but they do not do it the honor of treating it as an opponent.

In politics this practice is effective and its effects reach the furthest corners of the land. This is obvious in the squares and coffee shops where no one insults the PASOK cadres, but simply ask how long they are going to stay in power. What remains is the political practice of the extreme Right, which the government is applying in all its actions.

### The Magician

The tactic of the magician applied by the premier since the dictatorship--since the day he set himself up as the opponent to Kon. Karamanlis as premier--is fractured--like bullets that turn out to be duds.

The charismatic leader had based his meteoric rise on the myth that he was invincible and knew how to double his following from one election to the next. But in politics, in a democracy, the doubling of strength has its counterpart--losing double or even more because the downslide is easier.

The other aspect of the leader's profile was that of the accuser, the incorruptible, the punisher with the socialist spear. But this, too, fell to the ground with so many scandals, the like of which one can only find in the Banana Republics of the Third World.

The third aspect was that of the nationalist leader, the tough and unyielding one in every dialogue--even the dialogue itself was termed to be a bad thing, even though dialogue is indispensable in international relations since people understand that war is so destructive.

Suddenly all discovered that the bases will remain and expand, under agreements which may include concessions about which no one knows. To this one should add free radio, that is the transfer of control to foreign big monopolies--mostly American--allowing them to establish themselves and spread their propaganda in our country to compete with English sounds the English structure of Greek sounds broadcast by our channels.

However, the essence of the problem is somewhere else; in the raw and harsh assessments made by the Greek people these days. The coolness and wisdom with which they view the erstwhile indisputable leader, suggest that they never accepted positively his presence. They voted for him negatively, and as soon as they saw his real face, as soon as they saw him naked, they turned their back on him.

Many should remember the arrogant expression of the new premier when he attended his first meeting of the EEC summit conference in London 5 years

ago. How times change! The collapse of myths in politics carries with it all other consequences, the loss of followers and isolation, the old slogan of the French: "Besides capitalism there is loneliness."

This political event, decisive for developments in our country, means that between the conservative camp of the opposition and the groupings around KKE there is political vacuum. The intermediate, small parties can only break up in more and more factions. That is the fate of those who come to believe they can reduce the Left from a political force of democracy and parliamentarism to a religious faith and dogma.

In our country the economic crisis is accompanied by the end of the social presence of every form of middlemen. It also carries within itself the era of computer science, autonomy, and democratic criticism, regardless of how strange these may sound to those who are still attached to the era of assembly line industry.

#### Details

The other two aspects that the PASOK leader always missed, but which today are so necessary, are democratic practice and ethos. As long as he was going up he would name the Stalinist forms of persecution into democratic dialogue and nepotism into meritocracy. But one bad turn brings another. These moves bring ATTI much later when even goddess Athena cannot intervene and bring the Harpies under control. Let us not forget that Athena was a Greek goddess who did not stoop to intervene in the areas of an eastern monotheistic autocracy.

The developments taking place within the government camp may prove destructive for PASOK. The "mutiny" of deputies regarding the amendments proposed by the minister of education had as its target the premier and his circle. These developments forced the premier to turn again to individuals from his close circle who had been pushed aside in previous reshufflings.

Democratic practice and ethos are still played by Papandreou. He may be able to prove he has the possibility of participation like other political forces, but this means the premier's participation in the debate in the Committee of Inquiry in the legislature concerning the scandals. It means participation in a democratic dialogue and, even more, in the acceptance of a political investigation, in all directions and for all persons, however high they may stand.

The excuse that they have been referred to the judiciary is shallow and insupportable. However, it reveals something--a view of democracy's operation as seen by the government. Respect for the independence of democracy's three branches--the executive, legislative, and judiciary--requires the exercise of political control by the legislative branch.

The most critical test in the premier's political history is taking place these days. This is because it is difficult now to disorient the public

with a magician's tricks. He has gone too far. The centrifugal tendencies within the camp are due primarily to this political development. The deputies went ahead with their mutiny in parliament because they realize they hold the power in PASOK.

But together with political knowledge comes the memories--good and bad--memories about practices of the leader all these years. And, together with this knowledge, comes the realization that the deputies have political power only within parliament, i.e., as long as parliament is in operation, which connects them with their world, their voters.

This time they are not the ones to go to Kastri and plead with the leader. Now the leader must come down from his throne and go to meet them. Not in receptions and luxurious hotels, but on their turf, in parliament, in keeping with democratic practice and showing the corresponding ethos. On these moves, the so "negligible" details for the leader in other days, his fate will be decided--at the low levels, the human, the levels of democracy.

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CSO: 3521/38

## KKE, KKE-INT. LEADERS', MEMBERS' NAMES PUBLISHED

Athens PONDIKI in Greek 21 Nov 86 pp 8-9

[Text] The KKE Leadership.

The eight members of the Political Office are: the party's secretary general Kharilaos Florakis; electrical engineer (and RIZOSPASTIS' editor in chief) Grigoris Farakos; two old sailors: the party's parliamentary spokesman Nikos Kaloudis and Andonis Ambatielos; Kostas Tsolakis, who is in charge of the organizational work; electrician (and secretary of the Athens branch) Dimitris Gondikas; Loula Logara and Roula Koukoulou (wife of Nikos Zakhariadis); the ninth chair is vacant. It was occupied by Dimitris Sarlis (in charge of ideological issues) who died about a year ago.

--The alternate members of the Political Office are six. Two were elected by the 11th Congress (Takis Mamatsis, former alternate editor in chief of RIZOSPASTIS and now in charge of youth affairs, and physicist Orestis Kolozof in charge of international relations) and four who were elected recently by the KKE Central Committee (surveyor-engineer Mimis Androulakis, who is in charge of the Press Office; Dimitris Kostopoulos, former secretary general of the Greek General Confederation of Labor [GSEE]; philologist Aleka Papariga and Spyros Khalvatzis, former secretary of the Greek Communist Youth [KNE]).

--The regular members of the Central Committee are: deputies Kostas Kappos, Diamandis Mavrodoglou, Ilias Papadimitriou (second vice president of the Panhellenic Supreme Confederation of Unions of Agricultural Cooperatives [paseges], and Dimitrios Sakhinis. Also, Eurodeputy Vasilis Efraimidis, former deputies Kostas Loules, Mina Giannou and Nikandros Kepesis, former officers of the regular army (and later of the National People's Liberation Army [ELAS] and the Democratic Army of Greece) Stefanos Papagiannis and Vasilis Venetsanopoulos.

Also, former deputy of the United Democratic Left [EDA] Meletis Kaniaris, Thanasis Karteros (editor in chief of RIZOSPASTIS), Giorgos Moraitis, Dimitrios Stolidis, Dimitris Karangoules, Kostas Voulgaropoulos (member of the party's secretariat), Lakis Stathakis (secretary of the Piraeus branch), Theodoros Tziantzis, Kostas Batikas, Nikos Genas, Giorgos Trikalinos, Nikos Kyriakidis, Gerasimos Stefanatos, Dionysis Giorgatos, Giannis Giannaris, Kiki Mikhou, Stratos Tsambis, Polykhronis Vais, Kostas Gatsos,

Andonis Kalambogias, Angelos Anastasiou, Vasilis Kalamatianos, Giannis Litsas, Makis Mailis, Giannis Katsaros, and Gerasimos Kotrokois.

--The alternate members of the Central Committee are: Giorgos Grapsas (KKE secretary), Giannis Mavromatis, Vana Daikou, Giannis Maroukis, Bety Ambatielou, Thanasis Skamnakis (of the Cultural Section), Georgos Papapetrou (of the International Relations' Section), Panagiotis Lafazanis (of the Press Office), Takis Papanikolaou (former EDA deputy), Andonis Skylakos (secretary of the Thessalia branch), Stratis Korakas (deputy), Khr. Katsanakos, Mikhail Spyridakis, Giannis Palavos (former police officer), Nikos Kotzias (in charge of the information service), Kostas Tziantzis (secretary of the Patrai branch), Gianna Trikalinou, Giota Sevastiadou, P. Papadopoulos, Panagiotis Makris (mayor of Kaisariani), Giannis Dragasakis (in charge of economic affairs), Khristos Kavkias, Kostas Papakhristodoulou (secretary of the United Anti-dictatorial Labor Movement-Cooperating), and Khristos Karatsalos.

--Marinos Petrounias is chairman of the auditing committee (it audits the party's books).

--There are also two cadres from the old "historic" leadership of the party who are given the title of "veteran" but who are not members of the Central Committee: Petros Roussos (member of the Political Office from 1936 until 1973), and Avra Partsalidou (wife of Mitsos Patsalidis). A member of the Political Office during the occupation and Civil War is Vasilis Bartziotas (Fanis) who is still alive. He was expelled with Zakhariadis in 1956 and was reinstated in 1974 but never again assumed a responsible position.

--Other known KKE cadres who are not members of the Central Committee are: the mayors and leaders of the resistance struggle, Stelios Logothetis (mayor of Kokkinia), Dimitris Sarafoglou (mayor of Keratsini), Dimitris Arkhondis (mayor of Karditsa), Filippas Filios (mayor of Ioannina), and Stratis Pallis (mayor of Mytilini).

--In the same generation as the above belong deputy Maria Damanaki, Euro-deputy Alekos Alavanos, Athens municipal councillor Angelos Khagios, parliamentary group member Giorgos Stamatakis, Giannis Nystazakis (secretary of the Crete branch), Dimitris Desyllas (secretary of the General Confederation of Greek Agricultural Unions, Nandia Valavani and Dimitris Kondofakas (both members of KNE's administration council), Khristos Tolis (secretary of the Athens KNE branch), and Menia Papaperikli, member of the ladies' section of the Central Committee.

--The following are active in the sundicalist area: Kostas Marangoudakis, president of the Association of Auditors, P. Ploumis, former secretary of the Athens Labor Center, Giannis Thomas, employee of the Greek Telecommunications Organization, Aimilia Yplilandi, president of the Greek Actors Association, Kyriakos Kerasounlis, President of the Athens Construction Workers Union. Also, the following are from the period of the Resistance

and Civil War: Eurodeputy Takis Adamas, historian Stavros Zombaldas, who heads the Center of Marxist Studies, Spyros Kotsakis-Nestoras, captain of the ELAS First Army Corps (Athens), and Vangelis Papadakis (Levtcbias).

#### The KKE-Int. Central Committee

The 81 members of the KKE-Int. Central Committee are: L. Kyrkos, F. Kouvelis, I. Voulgaris, G. Giannaros, D. Giatzoglou, P. Gazgas, N. Gourgiotis, P. Dimitriou, P. Kounalakis, A. Zakharlas, Th. Kazelas, I. Kaounis, A. Briliakis, A. Papathanasopoulou, D. Papadimoulis, Ella Papakonstandinou, S. Pitsiorlas, I. Rengas, L. Tzeffronis, S. Valnden, F. Velikis, V. Gerokostas, V. Gongoglou, D. Dareiotis, T. Katsaros, Kh. Kombolitis, S. Lykoudis, Danai Mylonaki, Kh. Polymeros, Th. Sakkas, Kaiti Tsaroukha, T. Trikkas, L. Khalvatzis, I. Baniias, N. Athanasakos, N. Voutsis, Anny Vrykhea, K. Gavroglou, B. Drakopoulos, L. Eleutheriou, P. Klavdianos, N. Kaimakis, N. Manios, D. Dokopoulos, S. Pappas, A. Rigos, L. Flambouraris, N. Voulelis, Kh. Vlasakidis, G. Drosos, P. Zounis, S. Thanos, V. Kotoulas, S. Lada, N. Baniias, M. Bouras, K. Bizanis, M. Balsouras, N. Bistis, D. Makatsoris, Malama Fregiadou, T. Papadopoulos, Evi Papakonstandinou, L. Papadopoulos, Eleni Portaliou, G. Tsiftis, T. Fotis, S. Khristogiorgis, K. Filinis, Th. Athanasiou, B. Theodoridis, P. Athanasopoulos, D. Athanasopoulou, M. Alexopoulos, M. Gazis, N. Theodorokopoulos, St. Boufidis, D. Khatzisokratis, D. Papathanasopoulos, N. Syrmalendos, and K. Kostarakos.

--The following comprise the nine-member secretariat: Leonidas Kyrkos, Eurodeputy Kostas Filinis, Petros Kounalakis (secretary of the Athens branch), AVGI editor in chief Grigoris Giannaros, Andonis Brillakis, Bambis Theodoridis, Giannis Baniias, Nikos Voutsis, and Dimitris Dokopoulos.

--The 23-member Executive Office includes the above 9 and the following: Thanasis Athanasiou, Sotiris Valnden, Dimitris Giatzoglou, Nikos Gourgiotis, Elli Papakonstandinou, Stergios Pitsiorlas, Giannis Rengas, Kostas Gavroglou, Bambis Drakopoulos, Levteris Eleutheriou, N. Kaimakis, Vasilis Kotoulas, and Alekos Flambouraris.

--The five-member Coordinating Committee, which acts as liaison between the Central Committee and the party's Executive Branch, consists of the following: P. Syrmalenios, D. Papadimoulis, Evi Papakonstandinou, N. Manios, and D. Alexopoulos.

--St. Pitsiolas heads the Organizational Office which is responsible for providing guidelines to the party organizations.

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CSO: 3521/37

## OPPOSING TENDENCIES SAID DEVELOPING WITHIN PASOK

Athens POLITIKA THEMATA in Greek 28 Nov-4Dec 86 pp 15, 16

[Excerpts] For PASOK the major problem is not the inadequacy of persons or organizational structures. PASOK has begun to suffer from confused orientation. Two factions appear to be developing [within PASOK], each seeking the party's "renewal" in a different way.

One faction favors the return to the roots, that is, the "September 3 Declaration." In effect this means a return to the visions and options of "third road socialism." Those who favor this policy oppose PASOK's joining "Socialist International" which includes the socialist parties of Western Europe, and which they do not consider to be sufficiently leftist. Such a move, they say, will take PASOK farther away from its original principles and objectives.

The other faction suggests, diplomatically for the time being, that the 3 September 1974 Declaration does not provide in effect many answers to the problems PASOK faces in 1986. For this reason they suggest the enrichment of the Declaration with experiences of the last 12 years, and especially the experience PASOK acquired in the last 6 years it has been in office. It is said that at the next session of the Central Committee many members will try to have a debate on "all issues."

#### In Favor of Simple Proportional

Many of those favoring the second view--these include the premier's son George--argue further that PASOK can no longer base its strategy on retaining its parliamentary majority. If elections were held today, they say, ND would come into office--on the basis of the first-round electoral results in the municipal elections.

On the other hand, they add, we still have the indisputable fact that there is a "leftist majority" reaching and even exceeding 55 percent. This majority, of course, comprises PASOK and the two communist parties. Based on this reasoning, they support enactment of the simple proportional electoral system, not merely as a tactical move or as a concession to KKE, but as a strategic move which will assure for a long time the country's governing by the forces of the wider Left.

## The Centrist Voters

However, there are those who disagree with this optimistic assessment. According to our sources the premier is also included among them. Papandreou leans to the view that one part of PASOK followers is made up of moderate centrists who may join a centrist party whose appearance will be facilitated by the simple proportional system. For this reason Andreas Papandreou continues to oppose thus far the enactment of simple proportional.

The premier believes that the present parliamentary majority gives him the necessary breathing space to overcome current problems and to regain public trust. He also hopes that in the next 12 to 18 months the economy will recover sufficiently to tone down public discontent. Papandreou often reminds his fainthearted associates that in 1983 there were the so-called repentants who, however, forgot their earlier disappointment and voted for PASOK in the June 2, 1985 parliamentary election.

According to our sources the premier bases his optimism also on the inability of ND to take centrist voters away from PASOK. Such a relocation, they say, is not likely since, in spite of Mitsotakis' efforts, ND is still considered by the majority of centrists to be a party of the Right. The move of centrist voters away from PASOK would be more likely if there were a centrist party. But the appearance of such a party depends on enactment of the simple proportional. Of course, PASOK is not going to accommodate the ND in this.

## No Early Elections

With regard to the possibility of an election, the knowledgeable people foresee that an early election is out. Papandreou, they say, is in full control of timing the election before the constitutional term is up.

Following the recent amendment of the constitution, the president of the Republic has no authority to dissolve parliament and call for a new election. This authority has now been transferred to the legislature, in effect to the premier who, under the "list" system, holds almost absolute control over the deputies of his party.

Under the conditions facing PASOK today, Papandreou has no reason to favor an early election. On the contrary, he needs time to improve the political climate. The changes in persons and organizational structures currently being studied by Papandreou aim at such an improvement.

Since such measures cannot have "immediate results," Papandreou will postpone the election date as much as he can--at least until he resolves that the measures for the "renewal" of PASOK have yielded the desired results.

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CSO: 3521/38



## INCREASED INVOLVEMENT OF PASOK DEPUTIES PLANNED

Athens TO VIMA in Greek 7 Dec 86 pp 1, 2

[Text] At tomorrow's meeting of the PASOK Parliamentary Group [KO], Premier Papandreou will announce significant decisions he has reached and will call for substantial involvement of the party's deputies. He will announce that henceforth the deputies can submit questions to the government on an individual basis (without, that is, having to submit them in advance for approval by the KO director) and they can also exercise control over the government policy through interpolations. (As is known, through a question one gets information from the government on a particular subject while through an interpolation a deputy can check [or criticize] the government policy in a particular sector).

The premier will also ask the further activation of the deputies in the legislative task through meaningful debate of the government's legislative intent in the Parliamentary Control Sectors [KTE]. Thus, all legislative texts will be subject to full discussion by the government and the corresponding KTE's. In view of tomorrow's KO meeting, the KTE chairmen have jointly submitted to the premier a four-page memorandum with suggestions for such discussions.

The substantial upgrading and activation of PASOK's KO will be followed by an announcement concerning the effort for revamping the party machinery. Papandreou is determined to correct with radical measures a situation which has changed PASOK's organization into "intermediaries" between the voters and the government machinery on a "client-like basis."

This phenomenon appears particularly strong in the provinces and is considered negative in many ways. It recreates old partisan political models and eliminates the "advantages" which the co-existence of "rival" party leaders created. On the other hand, it deprives the government and senior PASOK echelons of "messages" concerning acceptance by the people of government policy.

The forthcoming meeting of PASOK's Central Committee will put the party machinery on a renewal course. In this context and beyond of "clean ups" in party organizations, special attention will be given to revival of the cadre potential--especially among cadres who are not "supported" by the state machinery--and to the regional organization of the party.

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CSO: 3521/34

## GOVERNMENT SEEN INCLINED TO DIALOGUE WITH TURKEY

Athens I KATHIMERINI in Greek 30 Nov 86 pp 1, 6

[Article by Nikos Simos]

[Excerpt] Premier A. Papandreou seems determined to start a dialogue with Turkey, thus initiating a detente in Greek-Turkish relations which would be useful to him domestically. He could claim it as one of the positive results of his foreign policy, but it would also have a reassuring influence on the people who naturally are sensitive to any Greek-Turkish tension.

According to diplomatic sources, the above conclusion derives from Papandreou's proposal for a bi-partisan committee on Aegean issues and also from his reference to such dialogue in his speech at Gorgopotamos in which he avoided any criticism of the major opposition party which had come out in favor of such a dialogue.

In addition, Papandreou has recognized that the preconditions the opposition party--ND--advanced for such a dialogue are almost the same as those he has advanced. Moreover, the consensus policy Papandreou wants to initiate, at least in the area of foreign policy issues, is not a fulfillment of his broader conception of how indispensable it is to solve the country's critical problems. However, by surrounding this committee with an all-party halo, the decision to initiate a dialogue with Turkey will have a collective responsibility in the improbable event the relevant procedure fails to achieve the targeted positive result.

It will also "redemptively" affect the premier's responsibility of freezing a dialogue with the final result the quadrupling of Turkish provocations, violations of national space, and the Denktash proclamation of his pseudo-state.

## External Pressures

According to the same diplomatic sources, another factor forcing Papandreou to a dialogue with Turkey is the pressure exerted by all nations. He can no longer use the alibi that for such a dialogue he is pressed only by the NATO countries, including the "metropolis of international imperialism." On the contrary, the same position was taken by the Third World countries

and by countries of the Eastern Bloc. A recent example is the Romanian position as was explained by President Ceausescu himself to K. Mitsotakis, the chairman of the loyal opposition.

#### The Cyprus Issue

Diplomatic circles believe--and Papandreou seems to agree at last--that the Greek-Turkish dialogue would also have a positive impact on the Cyprus issue since the failure thus far to find a solution to this critical problem has affected in a negative way Athens-Ankara relations.

In this context, it would not be a paradox if a dialogue between the two countries would at first consider the Aegean problem whether they have to do with the continental shelf or the jurisdiction of the operational control within the NATO framework. At the same time, the Cyprus issue would find its way through the procedure, which the U.N. secretary general has shouldered and the abandonment of which no small or big power, Western or Eastern or Third World, is willing to support.

It should be remembered, claim the same diplomatic sources, that the "package" of solutions concerning Greek-Turkish disputes, the Cyprus issue, and relations within NATO, has not progressed as a "process". With such givens, it would not be unusual for Papandreou to choose a different method for improving Greek-Turkish relations, a method which he would exploit in his characteristic way, thus deriving some domestic political benefits even from this issue.

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CSO: 3521/34

## INTERNATIONAL MEETING ON TERRORISM HELD IN ATHENS

Athens I KATHIMERINI in Greek 9 Dec 86 p 1

[Text] By hosting an "international" conference on "Terrorism Against Liberation Movements in the Context of the Present International Situation," our country offered the opportunity for, and took a step toward the development of the Libyan positions on the subject of international terrorism. The conference was organized by the Institute for the Study of the Greek Economy [as published] whose director is Prof Marios Nikolinakos, KKE candidate for mayor of Piraeus, and was under the sponsorship, among others, of the "Foundation for Peace and Development" and the "International Secretariat for Solidarity with Arab Peoples and Their Central Concern, Palestine [as published]. The conference took place in an atmosphere of anti-Western and especially anti-American feeling, evidenced by the positions assumed by the chairman of the above international secretariat, Omar El-Hamidi, a Libyan. According to him, the present international crisis is fomented by "the capitalist alliance in its attacks against the struggling peoples and the liberation movements." El-Hamidi justified international terrorism phenomena as follows:

"Terrorism is used as a pretext for these attacks in spite of the basic human right for the destruction of tyrannical bases and the creation of new international systems founded on justice and equality. It is the state terrorism practiced by the colonialist, racist and reactionary regimes responsible for the spread of violence that oppresses the peace-loving peoples."

It should be noted that the international secretariat headed by the speaker is located in Libya and was founded following an international meeting organized by five "international organizations" controlled by the Soviet Union. The London STANDARD wrote that this secretariat receives moral and financial support from the Al-Qadhdhafi regime. Marios Nikolinakos assumed positions similar to those referred to by the Libyans. According to the latter, "the West feels threatened and is reacting through violence that takes the aspect of state terrorism." As a characteristic example, Nikolinakos mentioned Nicaragua and Angola, omitting, however, Afghanistan and Cambodia. Still according to Nikolinakos, the West is responsible for characterizing every liberation movement as terrorist.

Others who spoke at the conference were Mendabdi Milloud, a Libyan, Prof Ahmad Sueissi, a Lebanese and Prof Rodolfo Teixeira, a Brazilian.

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## SERIES OF SCANDALS SHAKES GOVERNMENT FOUNDATIONS

## Yugoslav Corn Passed for Greek

Athens PONDIKI in Greek 31 Oct 86 p 21

/Excerpts/ The interpellation in the Chamber of Deputies about which we are talking and about which so much "fuss" was made in the Chamber of Deputies last Friday related to that notorious corn concerning which no one knows for sure from where it came, where it went, who sold it and (above all) who "got" the money (if, in fact, the deal went through).

With the appearance of three prosecutors the ND deputies who were involved in the interpellation spoke about smuggling by a state firm. Moreover, Deputy Minister of Trade Fotiou (why did not Katsifaras appear before the Chamber of Deputies?) charged ND for not waiting for the findings by the EEC committee that came here to look into the matter but instead placed our country on display, on an international basis, while speaking about smuggling.

Of course, the case is a confused and dark one. The ND charges (and the EEC's suspicions) are that the Greek firm ITCO /as published/, whose main shareholders are five Greek banks (Agricultural Bank, ETVA /Hellenic Industrial Development Bank/, ETEVA /National Investment Bank for Industrial Development/, Ionian- People's Bank and Commercial Bank), purchased Yugoslav corn, loaded it on two vessels, the Alfonsin and Flamingo, and sold it as Greek corn to Belgium since corn from third countries are hit by a tax of 150 ECU /European Currency Unit/ per metric ton.

Yugoslav corn that costs 110 dollars per ton, plus the 150, comes out to 260 dollars.

Greek corn is not taxed and is sold on the Common Market for 235 dollars a ton. (Let us see who is to make the calculations).

So, our people got the foreign corn for 110 dollars; they then christened it Greek and sold it to Belgium for 178 dollars.

Panagiotopoulos asked: who pocketed the difference between the 235 and 178 dollars? Who will pay the fine and damages that the EEC will hit us with --if its findings are to our detriment?

The answer to the latter is easy and evident: we are. As for the former?

When ND put forward the question --that was transformed into an interpellation-- Giorgis Katsifaras had answered that yes, of course, the corn came from Yugoslavia to be sold to countries outside the EEC but something came up and it remained in Salonica. ITCO bought it from a foreign company.

What company the ND people ask. And they continue to ask about the vessel that came from Yugoslavia, remained in port for 24 hours and then left Piraeus for Belgium. The harbor master of Kavala says that the corn was loaded on there and that the vessel then left for Salonica. The harbor master of Salonica says that the vessel came directly from Yugoslavia and then left for Piraeus. So, here you have stories about come and see this or that, here is the vessel, there is the vessel and so forth.

In all of this business we also have the unfortunate deputy minister of trade who is beside himself over all the charges he has heard and who is insisting that the EEC special committee is looking into the matter and that it does not appear to be anything reprehensible in the corn affair: a series of documents says that the Greek corn was loaded on the Alfonsin in the port of Kavala between 30 April 1986 and 7 May 1986. The vessel then left for Salonica and from there for Piraeus and Belgium.

Kanellos, however, brought in another document from the Salonica harbor master that says that the Alfonsin came from Yugoslavia already loaded with corn.

Let us not forget that the Right and the Americans are waiting to hear (before the holidays) some "green" scandals breaking out. If we cannot avoid them --if, in fact, they were committed-- at least we should bring them to light, that is, as a government. Why should all have to pay for some scandals committed by a few elected or non-elected individuals?

#### More Details on Corn Deal

Athens PONDIKI in Greek 14 Nov 86 p 20

/Text/ The well-known "corn deal" has been in the "hands" of Greek justice since yesterday (PONDIKI had written about this on 5 September and 31 October when the matter came up for discussion in the Chamber of Deputies). The corn reportedly was purchased from Yugoslavia and then exported and sold as Greek corn.

The Greek lawyer, a representative of a French company, who has special power of attorney, issued summons on 14 individuals whom he charged with serious illegal acts that are punishable as crimes.

The public prosecutor has received and is studying the summons and he most probably will decide today about exercising criminal proceedings.

The indictment was submitted by the lawyer, Mr Pet. Makris-Staiko, who has power of attorney for the French firm Coffres a Grain, and involves the following:

1. Soulis Apostolopoulos, spokesman and chairman of the board of the state "ITCO International Trading Company."

2. Khristos Margellos, businessman.
3. Theodoros Margellos, businessman.
4. Dimitrios Derkalidis, ITCO purchasing director.
5. Nikolaos Lionis, representative of the Caleb Brett firm.
6. Borgonos Isidorito, captain of the Alfonsin that belongs to the Panamian "Salerno Shipping" company.
7. The legal representatives of the firm "Decca Oil Est" that has headquarters in Vaduz, Liechtenstein.
8. P. Gerakaris, Salonica harbor master.
9. P. Zakharios, harbor master (formerly of Kavala and presently) of Ierissos, Khalkidiki.
10. Nik. Tendas, Salonica customs employee.
11. St. Papadopoulos, employee of the Ministry of Agriculture.
12. Theod. Anagnostopoulos, director of the Ministry of Finance.
13. Argyris Kambas, customs clearance employee from Salonica.
14. Stef. Psiakis, maritime agent from Salonica.

Charges against the defendants are: smuggling, illegal export of currency, forgery, false declarations by employees and moral responsibility and complicity in the above crimes.

As described in the charges, the story goes as follows:

On 25 April 1986, the vessel Alfonsin, with the captain being Borgonos Isidorito, loaded on 8,999,210 metric tons of corn in the port of Koper, Yugoslavia, with the destination being Salonica where it arrived on 8 May. The next day it left for Piraeus with documents that confirmed that the freight was Greek corn that ITCO was selling to the firm Granomar, destination Antwerp.

There, the corn was impounded as smuggled products but, with a telex, Greek authorities certified that it was Greek and could be transported as a Community product.

When the Europeans "smelled" that "something was not just right" the Greek authorities (according to the charges), through a series of false assurances, tried to hide the case.

This data was brought up before the Chamber of Deputies by former Deputy Minister of Trade Fotiou when the interpellation by the ND deputies was discussed.

The following conclusions can be drawn from a perusal of the case --if it is proven that things did turn out that way:

1. Compensating duty amounting to 182 million drachmas was not paid for the import of the Yugoslav corn.
2. The corn was sold as Greek at a price of 175 or 205 U.S. dollars per ton to the Granomar firm although it was purchased for 110 dollars from Yugoslavia and subsequently repurchased from ITCO at 242.95 dollars a ton. In the Chamber of Deputies, Mr Fotiou had stated that ITCO had purchased the Greek corn from the Decca Oil firm of Liechtenstein.

And to sum up: the firm making the charges, that at first glance does not appear to have any direct connection to the case, is a competitor and claims that it suffered damage from the illegal transaction. According to information, the Coffres a Grain firm had collaborated with some of the defendants but after the break in collaboration it quarreled with them and for that reason it made the charges since the Greeks were not the only ones who had asked for a judicial settlement.

As Mr Al. Lykourezos, the defendants' lawyer, said in a press conference yesterday, he is waiting for unshakeable written proof over the allegations on his clients that will be placed at the disposal of justice.

#### Bank Purchase Affair Detailed

Athens ENA in Greek 6 Nov 86 pp 12-15

/Text/ The purchase of the majority of a small bank's shares, namely the Bank of Central Greece, that makes up just 0.5 percent of our banking system, has assumed unforeseen dimensions of a scandal.

This bank twice came into the hands of Dr Giorgos Koskotas, a banker and businessman. The first time just as he purchased the shares. At that time, through the intervention of Mr Dimitris Khalikias, director of the Bank of Greece, they were not given to him. The second time, just as the deadline for registering new shares had ended and the purchase of the bank was officially secured for Mr Koskotas. This time it was Mr Simitis who intervened --and perhaps not only he alone.

ENA today presents the background to the events relating to this case.

In the beginning of 1986, Dr Giorgos Koskotas, a businessman, visited Minister of National Economy K. Simitis and Mr D. Khalikias, director of the Bank of Greece. He told them of his intention to buy the Bank of Central Greece by putting up the necessary currency. The government officials did not dissuade Mr Koskotas but pointed out to him that "the government does not yet intend to hand over the bank." They added that since the plan for increasing its capital stock had been announced he could, of course, continue his business transactions.

In a decision rendered on 28 July 1986, Mr D. Khalikias, director of the Bank of Greece, called on the Bank of Central Greece to increase its capital stock to 1.5 billion drachmas within 90 days. In his decision the bank director determined



that this increase would take place "with the issuance of new shares to be of equal nominal value as the existing shares, payable in full in cash through one single payment to a (special) account in the Bank of Greece."

Consequently, the government had decided, and Mr Khalikias so acted, to place the new bank shares on the market. In accordance with the director's decision, the first person (civil servant or private citizen) submitting in cash "through one single payment" to the special account acquires the new shares.

Following this development, Mr Giannis Papakonstandinou, legally exercising the functions of provisional representative of the general council, issued a decree and announced to the newspapers the increase in the bank's capital stock and the issuance of new shares. With this announcement a time limit of 1 month was set during which the old shareholders could exercise exclusive pre-emption. After that period had expired interested parties are called on to purchase the new shares.

Following Mr Papakonstandinou's announcement, Mr G. Koskotas, in a letter to the provisional representative, reaffirmed his intention to purchase the bank by acquiring all of the new shares. After the expiration of the exclusive 30-day deadline during which the old shareholders did not express any interest in purchasing the new shares, Mr Koskotas deposited into the Bank of Greece's special account the amount of 8 million dollars (1.05 billion drachmas) that he had imported exclusively for the purchase of the new shares. Immediately after the "one single payment in cash" in this amount, Mr G. Koskotas, in a letter to Mr Papakonstandinou, requested delivery of the shares given the fact that his payment met the requirements demanded in Mr Khalikias' decree and fulfilled, in accordance with the law, the provision for an increase in the bank's capital stock.

Mr Papakonstandinou informed Mr Khalikias about what was going on and requested instructions for the proper procedure for delivering the shares.

#### The Match Begins

Suddenly, however, despite the law and prevailing customs, the director of the Bank of Greece decisively intervened and requested that the shares not be delivered to Mr Koskotas, stating that the time limit of 90 days that he had set for the expression of interest would be exhausted. Mr Koskotas, in turn, stated that in accordance with the law since he was the first to deposit the required capital in full the shares belonged to him. Immediately afterward Minister of National Economy Simitis announced that the decision on the bank would be extended to 27 October, date on which the 90-day limit expired.

Subsequently, the following expressed interest in the purchase of the shares:

- The director of the Agricultural Bank in a simple letter to Mr Papakonstandinou. In a postscript, he expressed the legally novel view that "this letter represents a letter of guarantee."
- Mr G. Vendouris, shipowner, who deposited not cash but a letter of guarantee amounting to 850 million drachmas --a fact that presumes that Mr Vendouris was not really interested in acquiring the majority of the shares.

- The Idrako firm belonging to Mr Floros who did not, however, deposit even a letter of guarantee.

Messrs Arfanis and Khionis, businessmen and owners of the well-known Rio Hotel in Akhaia who deposited an American Express letter of guarantee for the total amount.

- On its part, the government sounded out a big American bank for the purchase of the shares. This bank put the matter off indefinitely.

- Finally, at the expiration of the deadline (27 October 1986), the TSMEDE /Pension Fund for Public Works Engineer-Contractors/ announced the deposit of the required sum for the purchase of the bank, stating at the same time that this move was made under the auspices of the minister of housing, environment, planning and public works Mr Kouloumbis. In a statement issued, the minister openly came out in favor of the purchase of the bank by the TSMEDE. The Kouloumbis statement was published by the newspaper ETHNOS the owner of which, Mr G. Bobolas, has close connections with Mr Kouloumbis (they were formerly partners).

Given the fact that there have been rumors circulating that then Minister of Trade Katsifaras preferred the Arfanis-Khionis solution, political observers pointed out with interest the first-page article in ETHNOS the next day, according to which "changes up to Katsifaras" would take place in the government, a headline that angered the then minister of trade and that spread gossip to the effect that "a war" had reportedly "broken out with regard to the bank." The political observers also noted the curious coincidence of a similar previous front-page article on the same newspaper the day after Mr Koskotas had made the deposit for the purchase of the bank shares. In that article Mr Koskotas was said to be a "collaborator with the Mafia." Of course, this was followed by charges and suits going into many millions of drachmas.

#### The Arfanis-Khionis Case

In the Arfanis-Khionis letter to Mr G. Papakonstandinou in which they request the shares there are facts that are of particular political and possible criminal interest. More specifically, the following:

1. Predominating in the letter is the rather provocative reminder that "a staff of experts is being formed that, under the direction of the Bank of Greece, is already laying out the economic and banking policy that will be followed by the new bank under their direction." Inevitably, the bank representative was informed of their very "advanced" relations with the Bank of Greece-- a fact that remains to be looked into.
2. Also, the "interesting" mention that the "transparency" of the origin of the money with which they would purchase the bank's shares would be safeguarded. Of course, this is a clear allusion to other interested parties.
3. The letter of guarantee also peculiarly takes into account the planned extension of the deadline for the deposit of capital. For that reason it clearly mentions: "The sum will be deposited in foreign currency up to 27 October 1986 or, in case of

a delay in the relative decision...within a time limit of 3 months as of today."

In fact, it should be acknowledged that these candidates at least had "good information" since a few days later the director of the Bank of Greece, in a letter to Mr G. Papakonstandinou, requested an extension of the deadline for depositing capital for the purchase of the new shares.

The representative refused the extension giving as an explanation legal reasons that cover 10 typewritten pages.

On 27 October 1986, date on which the deadline expired for an increase in the bank's capital stock, the bank's provisional representative, in an "exceptionally urgent and confidential" letter (it was published as is in the newspaper AKROPOLIS) mentions the following:

"Mr Director, in accordance with your decree 826/28-7-86, the deadline you set for the completion of increasing the capital stock of the Bank of Central Greece expires. I therefore beg you that during the course of today, if you so desire, to provide me with your opinions so that I may take legal actions."

In the same letter the provisional representative answers why he does not give a new deadline, as requested by Mr Khalikias, and he provides a series of laws and regulations that exclude such actions. Subsequently he pointed out that the decision must be made on the very same day because "If, within the exclusive time limit set by your (original) decree, the legal and formal procedures for increasing the bank's capital stock have not been met and if the total of this increase is not covered in cash, then the Bank of Central Greece cannot continue legally operating as a bank and is therefore to be placed under liquidation."

On the basis of the law, there are now two parties that lay claim to the bank: those that have deposited money in cash, namely Mr G. Koskotas and the TSMEDE.

#### Day of Decision

October 27 and 28 passed without any action having been taken. The bank's operations were already legally suspended and the provisional representative, as the only legally responsible person, was held criminally responsible as well as personally responsible for damages (800,000 drachmas daily) to those candidates who deposited money (Koskotas and the TSMEDE).

He communicated by phone with the director of the Bank of Greece and he urgently put the case to him. At the same time, Minister of National Economy Simitis stated that he was unqualified to intervene in the bank issue. This is how Mr Papakonstandinou (his statement on 2 November 1986) described this communication (at the time this article was written these statements had not been denied):

"We talked by phone with the director on Thursday (30 October 1986) at 10 am. I told him that he had to give me instructions right away given the fact that we had gone beyond the deadline and that the Idrako Company had resorted to legal redress against the procedures we followed. I also have information that a suit is scheduled to be brought on Friday over the procedure with regard to insurance measures and a request for the refusal of the delivery of the shares. I subsequently drew his

attention to the fact that he, I and the government would be irreparably exposed given the fact that we would appear to be incapable of making a decision on such a secondary issue. The director told me that we should communicate again with each other the next day.

"In fact, the next day, given the fact that news created the impression that there was a problem with regard to the refusal of the delivery of the shares and that the bank was operating illegally, I once again communicated with him. At the same time I asked him what the Simitis statement, made the day before, meant, i.e. that the sole competent person to make a decision was Mr Khalikias. He reacted strongly and revealed to me that he could not understand a thing, given the fact that this was an unacceptable situation and that he himself had phoned Mr Simitis to complain. I then asked him what the prospects were. He categorically told me: 'The private sector.' I then asked: 'In other words, G. Koskotas.' He answered 'yes.' I then asked why this was not being announced. He answered that he could not bear the cost. I said that if that were the case then in the face of my vast personal, civil and criminal responsibilities, and also for the interests of the institution, I personally assume responsibility for any costs to cover him and the government. Besides, one way or another, I am solely legally responsible."

The decision by the provisional representative was made public on Friday, 31 October. At the same time, Mr G. Koskotas was given provisional title to the shares and thus the procedure for the acquisition of the majority of shares was completed. Mr G. Koskotas submitted the title to a notary.

The newspaper TO VIMA (in its 2 November 1986 issue) wrote as follows on the decision:

"The decision on the transfer of bank shares to a private citizen and, indeed, to Mr G. Koskotas, who has governmental defense, had been decided on long before it was officially announced by Mr Giannis Papakonstandinou, the provisional representative.

"TO VIMA is in a position to know the entire behind-the-scenes story and now, with the turn taken by the case, it reveals the following:

"The decision for the sale of the bank to Mr Koskotas was definitely taken at a meeting held last Wednesday at the Ministry of National Economy. Taking part in the meeting was Minister of National Economy Simitis, former Minister of Trade Katsifaras, former Deputy Minister of Trade Khr. Fotiou, Mr D. Khalikias, director of the Bank of Greece, and Mr Giannis Papanikolaou, economic advisor to the prime minister.

"At that meeting a special effort was made to hand over the bank to the Khr. Arfanis, N. Khionis duo who represented a group of technical and tourist companies. The attempt did not come out positive despite pressures exerted by Mr Katsifaras and Mr Fotiou (see last Sunday's TO VIMA).

"During the meeting Mr Simitis offset Mr Fotiou's 'reservations' that the handing over of the bank to Mr Koskotas would be considered as a 'political scandal' since a strong man (Mr Koskotas) 'would be created' with the cooperation of the government, a strong man who would control a big segment of the banking system, together with his other business activities (publication of newspapers, periodicals, etc.).

"Mr Fotiou revealed that he accepted a proposal from the private sector to finance him to the amount of 90 million drachmas in case the bank were to be transferred to a specific person. This revelation helped in such a way that the interest of this specific person was not even discussed.

"Mr Simitis and Mr Khalikias also dispelled Mr Katsifaras' and Mr Fotiou's reservations about the purity of origin of Mr Koskotas' money. Mr Simitis stated that this matter is 'not of interest' and Mr Khalikias added that 'as much as we searched we could not ascertain from where Mr Koskotas gets the money.'

"Mr Papanikolaou announced that Mr Koskotas wanted to meet Prime Minister A. Papandreou to discuss the matter but this did not occur. As he said, however, there was a meeting between him and Mr Koskotas. Discussed was the case of the handing over of the bank to him."

The report in Sunday's TO VIMA continues as follows:

"The fact that the government had decided to hand over the bank to the private sector is also deduced from the following:

"First of all, from the interest of the Arfanis-Khionis duo. In the accompanying document of the letter of guarantee submitted by the above 'duo' it is explicitly stated many days before the expiration of the 27 October deadline, that 'with the guidance of the Bank of Greece the management team, that would assume the fate of the bank, just as soon as the shares are transferred to it, has been formed.'

"The government, through the Ministry of National Economy and Ministry of Trade, as well as the Bank of Greece, did not consider possible satisfying the relative interest by the ATE /Agricultural Bank of Greece/ and the TSMEDE, despite the special insistence exerted by Minister Evangelos Kouloumbis. This was one of the objectives of the special meeting held in the Ministry of National Economy last Wednesday during which the participants discussed weaknesses in the two candidates involved, namely constitutional weaknesses in ATE and the lack of capable banking management in the TSMEDE.

"In the meantime, on Thursday morning charges were filed by the Idrako Company whose spokesman is a PASOK cadre, namely Mr Pan. Zakhopoulos (note: former colleague of Mr Popotas who published the pro-government newspapers GNOMI and EIDISEIS and who subsequently was jailed for improprieties, as was Lindovoi). In these charges the company maintains the view that the procedure followed by the provisional representative was illegal and must be overturned so that 'the right of the old shareholders may be revived.' This position had also been supported by Mr Khalikias, director of the Bank of Greece, in a document submitted to the provisional representative on 15 October 1986. However, this document and Mr Khalikias' proposal to give 'a new 30-day time limit for the exercise of the right of pre-emption on the part of the old shareholders' was rejected, as we have seen, both by the minister of trade and the provisional representative as legally unsupportable."

## Intervention From On High

The television announcement about the delivery of shares to Mr Koskotas activated "pressure groups" that phoned in to "all concerned" demanding a reversal of the decision.

Mention was made in the press (TO VIMA, KYRIAKATIKI ELEVTHEROTYPIA and others), without any denial ever being made, even about the appeals made by former Deputy Minister of Press Dimitris Maroudas to Kastrí and also his intervention to newspapers asking them not "to close the case because there would be developments." Mr Maroudas' friendly ties with the Bobolas group, that publishes the newspaper ETHNOS, is well known.

Mr Simitis took action to put an end to the already ~~terminated term of the~~ provisional representative. In fact, he announced that the government would try to overturn the decision.

Mr Koskotas reacted at once with the following announcement:

"I find myself in the frightfully disagreeable position to state that I am unable to understand the sudden and peculiar developments relating to the Bank of Central Greece.

"I must repeat what I told newspapers in the beginning of September so that it might become fully understood that as far as the integrity of my business activities is concerned there can be no question that there were any plans drawn up to serve specific interests or other political or non-political expediencies.

"Responding to the public invitation of the Bank of Central Greece, that was published in the beginning of August in the entire Greek press, with regard to an increase in its capital stock and after having previously made my intentions known, both orally and in writing, to the minister of national economy, the director of the Bank of Greece and the provisional representative of the Bank of Central Greece, abiding by all the legal procedures, I imported and converted into drachmas the required foreign currency for the purchase of the new shares.

"I emphasize that I am the only one of the interested parties that imported foreign currency and the first to place a deposit in cash for the purchase of the new shares, with timeliness and totality that the law requires.

"Despite the fact that with this whole deposit the increase of the Bank of Central Greece's capital stock was covered, officials making public their statements insist on maintaining the end of the time limit so that others may join in.

"Through this procedure the overall matter regarding the new shareholder and holder of the majority of shares has been transposed to a political or other level.

"In the time that intervened up to the expiration of the deadline (27 October 1986) we saw and heard many things but I waited, exhausting all bounds of good faith, the implementation of the decision by the competent authorities.

"After several days had elapsed after the deadline we became witnesses to an improbable tug-of-war among the interested parties and, indeed, with expressions and declarations of support for specific interested parties by a specific minister for the acquisition of the shares.

"Yesterday when the only legally responsible person, namely the provisional representative, communicated to me his decision with regard to the delivery of the shares, the legally non-responsible (as he himself had stated the day before) minister of national economy intervened publicly to repudiate the decision of the provisional representative and to rescind it, at the same time leaving questions of a scandal to be raised.

"I declare that I am indifferent as to the personal clashes of competent government officials and the possible behind-the-scenes activities. I am, however, absolutely concerned over my personal self-respect and by business integrity. No one has the right, with legal distortions and arbitrary interventions, to hurt me.

"It is consequently clear that:

"a. In accordance with the law and without any doubt whatsoever, 1,025,565 shares of the Bank of Central Greece belong to me and consequently I control the majority of its shares.

"b. Despite all of this my business sense and my sense of responsibility lead me to call on the competent government authorities and especially the Bank of Greece to recognize clearly the ownership of my shares up to 10 November 1986.

"c. In case of a contrary decision I place the shares of the Bank of Central Greece that I legally possess at the disposal of the Bank of Greece and request that the money that I put forward be returned to me without any damage or aggravation to me."

On the next day it became known that a new provisional representative was appointed, namely Mr S. Kalamitsis (who in the past had been dismissed from the civil service through a decision of a three-member ministerial council panel, headed by Mr M. Koutsogiorgos --a decision which for still unknown reasons was not implemented. Later, Mr Kalamitsis was appointed legal adviser of the state firm DEPANOM /as published/ from which he was subsequently replaced by Mr Lambis Nikolaou). It is to be noted that Mr Kalamitsis' wife, Mrs Lionda-Kalamitsi, was a member of the board of the Jorama Company in which a Mr Feidias Doukaris had an interest. Mr Doukaris was also a former major shareholder of the Bank of Central Greece. According to findings of the Bank of Greece, through this company Mr Doukaris engaged in illicit export of foreign currency and illegal financial dealings.

On Sunday, newspapers headlined and discoursed on the case and revealed much about the unknown behind-the-scenes activities.

I KATHIMERINI wrote as follows:

"The competent government authorities were literally at a loss yesterday since, as I KATHIMERINI mentioned, the other day's decision by the provisional representative, Mr G. Papankonstandinou, is altogether legal and the bank now belongs to Mr Koskotas. Perhaps Mr Koskotas will get the government out of this unprecedented moral and legal impasse. With dignity, Mr Koskotas declared that if the government does not recognize him he will place the shares he legally possesses at the disposal of the Bank of Greece, asking, in turn, the return of the money he put forward. "

At 8:30 pm Sunday, the minister of national economy made the following statement:

"Following Mr Koskotas' statement that there is no question of his exercising any possible rights acquired from the decrees of the former Bank of Central Greece's provisional representative, so long as the government is opposed, the pending matter is considered closed.

"The government considers that the politically obvious solution is the assumption of the shares by the Agricultural Bank of Greece."

Late in the evening --after having been informed about this statement on television-- Mr Koskotas made the following announcement:

"Following the explicit acknowledgement by Minister of National Economy Simitis that I acquired shares of the Bank of Central Greece with full authority in my statement of 1 November 1986, I am ready to hand over these shares to the Agricultural Bank of Greece, with the proviso --as I had underlined-- that money, amounting to 1.05 billion drachmas that I had deposited 2 months ago be returned to me by 10 November 1986 and that damages (money-wise, differentials, interest, etc.) to my detriment be covered. I consider it self-evident that I will be given the necessary authorization to re-export the foreign currency I imported exclusively for the purchase of the above shares.

"With this position taken by me, that I expressed in a timely fashion, I believe that I provide a legal, moral and political solution to the impasse that was created by certain governmental organs."

With his new statement, Mr Simitis declared on Monday morning that he is once again withdrawing from the bank case and that the matter now belongs exclusively to the new provisional representative (the minister recognizes this provisional representative's jurisdictions that he questioned in the previous provisional representative, namely Mr Papakonstandinou.)

According to information, the overall case is still in open one. The sale of Mr Koskotas' shares to the Agricultural Bank of Greece is still contingent on the financial conditions and dates he set.

#### Pay-Off to Buyer Alleged

Athens I VRADYNI in Greek 4 Nov 86 p 1

/Text/ Mr D. Khalikias, director of the Bank of Greece, will finally "pay" for the Bank of Central Greece case that left the entire government exposed to the conscience of public opinion. According to information, the prime minister has reportedly decided to accept his resignation (which, as is well-known, he had submitted last year but was not accepted at that time).

Mr Khalikias is charged by government and banking officials with not being able to keep tabs on the Bank of Central Greece case resulting in the outbreak of an amazing scandal and in jeopardizing the government.



In fact, it is being added that Mr Khalikias, as a "scapegoat," "serves" in a dual capacity because in this way the prime minister will shun his report as director of the Bank of Greece next March that will not be favorable for the government.

According to the same information, Mr Khalikias' position is being coveted by Mr Pan. Korliras, former deputy director of the Bank of Greece and presently director of the Ionian-People's Bank.

In the meantime, Mr Koskotas, the businessman who accepted to put forward the Bank of Central Greece's shares that legally belong to him, following a personal intervention by Prime Minister Papandreou, appears to have benefited. The Papandreou-Koskotas contact occurred Saturday morning, prior to the announcement of Koskotas' statement according to which if the Bank of Greece did not recognize the legality of his ownership of the shares within 10 days he would deposit them with the central banking institution without "any aggravation" to him.

"Satisfaction" given to Mr Koskotas consists in permission for operating 20 new branches of the Bank of Crete throughout the country and --the main thing -- in an increase in the "ceiling" of the Bank of Crete, by the Bank of Greece, by 7 billion drachmas, above that which the bank had.

In fact, yesterday morning the director of the Bank of Greece signed a "decree" whereby the Bank of Crete's "ceiling" is raised by 7 billion drachmas.

This politico-economic agreement that took place on a higher level is also shown by the hurried statement by Minister of National Economy Simitis --on Sunday-- who considered the deposit of the Bank of Central Greece's shares and their consignment to the Agricultural Bank as a given fact.

#### More Scandals Predicted

Athens EMBISTEVTIKO GRAMMA in Greek 5 Nov 86 p 5

/Text/ As we have learned, the final outcome of the sad story for a democratic country, namely regarding the Bank of Central Greece, which will certainly constitute the subject of more international defamation of Greece; constitutes half a victory for Mr G. Bobolas, publisher of ETHNOS. Specifically, Mr Bobolas, who did not in any case want his competitor in the publishing field, namely Dr G. Koskotas, to become financially strong, did everything possible to prevent the Bank of Central Greece from being handed over to him through which this young Greek banker would have acquired an additional financing source.

Mr Bobolas succeeded in attaining this goal. However, he failed in his attempt to get the Bank of Central Greece into the hands of his friends, Messrs Khionis and Arfanis, Akhaia businessmen, who among other things are doing a good business with Saudi Arabia. Thus, the plan of these three businessmen to publish a new afternoon newspaper is going on the rocks, while at the same time Dr Koskotas does not appear to be weakening in his rivalry with the Bobolas group.

## Suspicious Deals in Government Refineries

Athens TA NEA in Greek 10 Nov 86 p 9

/Article by Nikos Roussos/

/Text/ According to exclusive information of TA NEA, the State Aspropyrgos Refineries "lost" 500 million drachmas because of only one scandalous transaction made about 2 years ago with the petroleum products trade company Thasos Hellas Greek Petroleum Company.

This transaction that deals with the sale of a large quantity of liquid fuel, valued at 316 million drachmas, is described by the same information sources as scandalous for the following reasons:

1. Thasos Hellas received the above-mentioned amount in September 1984 from the Greek Refineries Company with essentially non-existent guarantees and placed it on the market but did not give, as it was obliged to, the amounts received from their sale to the State Refineries.
2. To the contrary, a month after the transaction and while, as is being charged, it had rented its installations in Nea Karvali, Kavala, for 9 years to a non-existent company called "Greece Oil," it proclaimed a stoppage in payments.
3. The State Refineries, despite the fact that it knew since 6 October 1984 that Thasos Hellas had made a stoppage in payments, also leaving unpaid other overdue obligations to other creditors, did not for almost a year take any legal action to claim its debts that together with interest surpass 500 million drachmas.

Specifically, according to charges made by shareholders of the minority of the company's board to the minister of energy and natural resources and the minister of trade, as of September 1985 the State Refineries board did not submit a complaint for fraudulent bankruptcy against the company's officers and did not issue a payment order in time to claim the amounts owed plus the interest.

According to charges brought by Khristos and Georgios Skoumbis (who hold 25 percent of the company's shares) and according to what the petition in bankruptcy that the Greek Aspropyrgos Refineries Company filed with the Athens court of first instance against Thasos Hellas says, the following becomes apparent:

- Thasos Hellas mortgaged its installations to the Labor Bank for 100 million drachmas, obtaining at the same time a letter of guarantee of equal value.
- In September 1984, it deposited this letter as a "guarantee" to the State Aspropyrgos Refineries, obtaining, in violation of existing regulations, liquid fuel valued at 316,054,821 drachmas that it placed on the market.
- A month after the transaction the "fireworks started."
- Prior to September 1985 the State Aspropyrgos Refineries submitted a petition for the seizure of the Thasos Hellas property that was accepted by the Athens court of first instance through its decision No 7331/85 and the amounts due were adjudged.

This petition was meaningless since the firm's installations were mortgaged to the bank and its only property consisted of two or three pieces of office furniture.

On 2 September 1985, the Aspropyrgos Refineries submitted a letter in bankruptcy against the firm which, after a series of postponements to which it appears that the refineries' attorneys strangely consented, was brought up for a hearing on 9 April 1986.

The hearing was cancelled because the Thasos Hellas Company promised the Aspropyrgos Refineries to transfer to it its liquid fuel storage installations in Nea Karvali, Kavala, in payment of its debt of approximately 500 million drachmas. The Aspropyrgos Refineries lawyers consented to this request also while, as the holders of the 25 percent of the Thasos shares charged, they knew that the value of the installations did not surpass 70 million drachmas and that they were mortgaged for 100 million drachmas to the Labor Bank.

On 5 November 1986, the hearing on this petition in bankruptcy in the Bankruptcy Section of the one-man Athens court of first instance was once again cancelled because neither the Aspropyrgos Refineries nor the Thasos Company lawyers appeared in court.

#### Justice Involved in Refineries Affair

Athens ELEVTHEROTYPIA in Greek 18 Nov 86 pp 4-5

/Article by Sp. Karatzaferis/

/Text/ The public prosecutor is intervening in the Greek Refineries (ELDA) case to investigate charges about scandals involving billions of drachmas.

Last night, the government decided to remove the director general of the Greek Refineries, namely Mr Al. Karakhalios --also expected to be removed are Messrs Papavranousis and Elemenoglou, management adviser and financial director respectively-- and to commit the entire case to justice.

Last Saturday, the present writer revealed the following in an article;

"PASOK is not the Mavrakis', the Fotious', the Bristogiannis', the Karakhalis' (look in the Greek Refineries and catch a rabbit)."

The government searched and it seems it "caught a rabbit" since the new secretary general of the Ministry of Industry, Mr And. Georgiadis, announced the following just as soon as he took over from his predecessor, Mr Papathanasopoulos (Mr Georgiadis was sworn in yesterday):

"Andonis Georgiadis, secretary general of the ministry, this evening requested the director general of the Aspropyrgos Refineries (Mr Than. Karakhalios) to submit his resignation.

"On orders of the ministry of industry, the legal adviser of the Aspropyrgos Refineries will submit tomorrow (today) to the public prosecutor a signed charge by an employee of the Refineries dealing with the management of ELDA as well as

with bids, so that the validity of the charge might be verified by competent court authorities."

A detail: Mr Karakhalios' backer in the ministry was Mr Papathanasopoulos.

Over the week end Minister of Industry and Technology Sakis Peponis conducted an investigation on Mr Karakhalios and his colleagues.

He held discussions with PASOK cadres in other organizations and those knowledgeable in behind-the-scenes activities within ELDA and the immediate removal of Mr Karakhalios was decided upon, as was the intervention by the public prosecutor as the prime minister had ordered.

According to accurate information, the public prosecutor will investigate if there are scandals and how widespread they are, as well as the involvement or not of Mr Karakhalios, mainly in the following two areas:

1. In the State Refineries expansion program amounting to 300 million dollars where there is an excess of 40 billion drachmas.
2. In the supply of liquid fuel to two debt-ridden private companies, amounting to 1.5 billion drachmas without any guarantee.

According to reliable information, since last year Prime Minister Papandreou had ordered the removal of Mr Karakhalios (his replacement had even been chosen) for "improprieties" but Mr Deloukas, DEP /Public Petroleum Corporation/ president (he also DEI /Public Power Corporation/ legal adviser), intervened. He "considered Mr Karakhalios an honest man and could not believe otherwise."

Now, Mr Deloukas has agreed to the removal of Mr Karakhalios.

Mr Ath. Karakhalios has been a PASOK party cadre since the inception of the Movement, a member of the trade union unit and member of the chemists and chemical engineer unit. He himself is a chemical engineer and up to November 1981, when he was appointed director of ELDA, was a salesman for SHELL chemical products.

The State Refineries expansion project was planned by the Italian firm Foster Wheeler. Subsequently, "Asporofal," an ELDA affiliate, with capital made up of 51 percent of ELDA and 49 percent of the Italian firm, was created. "Asporofal" /as published/ handled consignments in various construction companies and the combine (if it is proven) was confined to subcontracting.

An example: the nationalized construction company "Viex" assumed a project worth 3 billion drachmas. A similar project was assigned to a private firm for 9 billion drachmas!

Than. Karakhalios, ELDA director general, issued the following statement late at night:

"Management always acts within the context first of all of the proposals and counsel of the Refineries services and secondly of the implementation of the board's decisions.

"Any irregularity is immediately looked into by competent committees set up specifically for that purpose with the participation of worker representatives.

"Certainly the enormous task of modernizing ELDA, that is now near completion and constitutes the public sector in the field of petroleum competition, has created quite a few enemies who are seeking the destruction of public enterprises."

#### DEI Involved in Construction Scandals

Athens ETHNOS TIS KYRIAKIS in Greek 16 Nov 86 pp 12-13

/Article by Nikos Zervonikolakis and Aimilios Liatsos/

/Text/ A document, now known as the "Velonis letter," was the thread that Justice grasped to clear up the charges around the enormous scandal of DEI's 500 million drachmas.

A day before the announcement of the findings of the inquiry and the possible pronouncement of charges, in case responsibilities are ascertained, ETHNOS TIS KYRIAKIS provides the background to the developments that for 12 days now have shaken public opinion.

All began on 6 November 1986. At 6 pm. M. Deloukas, DEI board legal adviser, appears before Ioannis Gavrilis, head of the Athens public prosecutor's office.

He submitted the Velonis document that fired up the subsequent violent developments.

What did the Velonis document say and to whom was it addressed?

Zacharias Kyriakis, representative of the Italian construction company Cosid, acting for the account of the firm, gave a sum of 10-12 million drachmas to D. Mavrakis, at that time DEI director general, via his brother P. Mavrakis, an attorney.

For that purpose Cosid had opened an account in the name of Kyriakis in a Swiss bank with a sum of 150,000 dollars.

However, the Velonis document also contained other interesting details, as, for example, the following:

Kyriakis, who was a close friend of the brother of the former DEI director general some 25 years ago, reportedly bribed higher ups as well as lower level employees of the firm with a sum of 500 million drachmas for the purpose of satisfying all of Cosid's demands. It left it to be clearly understood that Kyriakis would make use of his close acquaintance with Panagiotis Mavrakis to succeed in his goal.

Velonis, who up to last summer was a representative of Cosid, was at some point given the cold shoulder by Kyriakis.

In the beginning of July 1986, Velonis decided that the time had arrived to act. One morning he called Zacharias Kyriakis to his office. A hidden tape recorder recorded their conversation dealing with bribes and that are mentioned in the letter and, as he said, he handed it over to Mr Deloukas, DEI legal adviser.

The Velonis document, dated 30 September 1986, was intended for the following gentlemen: Dimitris Mavrakis, DEI director general; N. Karageorgiou, DEI board vice chairman; Aim. Bousios, DEI alternate director general; E. Kolonias, DAYE /as published/ director; Kh. Lambropoulos, DAYE branch chief; K. Giannopoulos, DEI justice directorate; N. Petounis, in charge of DEI (Army) engineering projects; and, of course, Mr Deloukas.

As we said, the document reached the public prosecutor on 5 November.

The developments that follow are:

- Evening of 5 November. Mr Gavrilis, head of the public prosecutor's office orders the beginning of the preliminary inquiry.
- November 6. 11 am. D. Mavridis, former DEI director general, appears in the Criminal Prosecution Office and on the basis of the Velonis document presses charges against Zakharias Kyriakis for slander. The public prosecutor, Anastasios Kanelopoulos, takes delivery of the petition.
- 8 November. Gerasimos Bristogiannis, former Cosid legal adviser, an attorney and member of the PASOK Central Committee, is examined as a witness.

Argyris Velonis is examined the same day.

November 11. Giving evidence were the following: Panagiotis Mavrakis, brother of the former DEI director general. He reportedly obtained 10-12 million drachmas from Kyriakis and gave them to his brother. He denied everything.

- Khar. Paraskevopoulos, vice president of the company Greek Techniques. Coming out of the public prosecutor's office he said that "the case is not a transparent one and is not convincing anyone."
  - Aim. Bousios, DEI alternate director general. He stated that he got the Velonis document on 6 November.
  - The same day, 11 November, An. Velonis appeared before the public prosecutor for a second time. He submitted the cassette that contained the conversation with Kyriakis.
  - November 12. Fabio Bertolini, Cosid director in Athens, testified and maintained that his company had nothing to do with bribes.
  - November 13. An important day for the course of the inquiry. Zakh. Kyriakis appeared at the inquiry in the morning. Everybody was surprised. Despite efforts by the police he had not been found in the previous few days. In a natural manner, Kyriakis did not acknowledge Velonis' charges and said that his cassette was a fake.
- The same afternoon of 13 November, Dimitris Mavrakis testified. Reporters had been assured that D. Mavrakis would testify on 14 November.
- November 14. M. Deloukas, DEI legal adviser, testified. He maintained to reporters that he read the Velonis letter at the beginning of October but because it was not countersigned he could not take it to the DEI board. He added, "I took it countersigned on 4 November. The next day I took it to Justice."

The tip of the iceberg was the charge regarding the big scandal on DEI's 500 million drachmas at the very same time when the project to which the scandal refers, namely the "Army" hydroelectric project on the Akhiloos River, showed most serious problems immediately after the bidding was completed.

The bidding on the project took place on 27 February 1980. The contractor of the partnership, made up of the Cosid and Greek Techniques companies, settled into the project one whole year after the bidding, i.e. on 5 February 1981.

The DEI document, that refers to the "Army" project, points out the following:

Problems showed up right from the start because of the financial weakness of the Greek Techniques company which was not able to produce letters of guarantee. This resulted in a delay in the setting up of Cosid and Greek Techniques on the site where the project was scheduled to go up.

The same document notes that it was to be expected that quarrels between Cosid and Greek Techniques would begin to break out.

In the face of this nasty turn assumed by the project from the very outset, DEI attempted to find a solution for a possibly more normal development for the contract with the two firms that had undertaken the "Army" project, once it had previously come to the point of threatening both firms with ejection from the project.

We thus reach April 1982 when through a decision of the DEI board the plan of the original contract was revised.

While the original contract provided that the "Army" hydroelectric unit would be operational and begin providing electric current by February 1985, the contract revised by the DEI board changed the date by one year, namely February 1986.

Despite all of the above help by DEI the relations between the two firms were continually becoming worse, a fact that had a direct effect on the progress of the project.

In 1983, black clouds began appearing on the horizon. Added to all of the delays encountered by the "Army" project up to then was yet one more delay.

This time it related to the appointment of an underbidder for the supply and installation of the major electrical engineering components (turbines and generators). These delays forced DEI to give another 1-year extension for completion of the project, namely the beginning of 1987.

In the first part of 1984, personnel working on the "Army" project went on strike while at the same time layoffs began.

It was becoming crystal clear that the breakdown in cooperation between Cosid and Greek Techniques would lead to the complete disbandment of the project with all its unfavorable consequences.

The issue came before the DEI board and was discussed for the first time in April 1984. Finally, decisions were made a month later, i.e. May. These decisions were as follows:

The construction of two segments of the project would be taken away from the responsibility of the two firms. These segments were the "tailrace" and the "spillway."

This was accomplished. Subsequently DEI assigned the construction of these two segments to another contractor. However, the construction costs of these two segments were assumed by Cosid and Greek Techniques.

These decisions by the DEI board began to be implemented 2 months later, i.e. July 1984. This was so because in the intervening time "the firms acted behind the scenes."

In August 1984, work on the two segments was assigned, through improvised competitive underbidding (Contract STH-7), to the Cosid firm. Indeed, with a 2 percent discount on the price of the original contract and without any premium in foreign currency.

With regard to a premium in foreign currency, the original contract (STH-1) provided that "17.5 percent of the contracting recompense would be given in foreign exchange and 82.5 percent in drachmas."

In the meantime, work on the above ground segments of the "Army" project had come to a halt because Greek Techniques had abandoned the project and had released its personnel.

These above ground segments that were the primary objective in the Greek Techniques sphere of responsibility consisted of the following: tailrace, spillway and dam.

It had been decided between the two companies which would be the area of responsibility for the "Army" project without, however, there ever having been a written agreement for this.

Cosid would carry out the underground projects, namely the "production group."

Greek Techniques would carry out the above ground projects, i.e. the tailrace, spillway and dam.

Six months later, on 29 January 1985, Greek Techniques was completely dissociated from the "Army" project.

Through a decision of the DEI board, the following projects were taken away from the partnership:

- Construction of the "dam wall" of the dam on the Akhelooos River which was assigned to the "Trevi" company through Contract STH-8.
- Remaining construction of the dam which was assigned to Cosid on 22 August 1985 through a new contract, STH-9.



Cosid obtained the contract for the dam project since it was the lowest bidder in an improvised competitive bid, specifically with a 5 percent discount on the price of the original contract and, in fact, without any premium in foreign currency.

All of the above-mentioned projects, i.e. construction of the dam, tailrace and spillway, were carried out to the detriment of Cosid and Greek Techniques something that meant that the projects encumbered the accounts of both firms.

March 1985. Contract STH-2 went into effect. This contract related to the supply and installation of the main electric engineering components (turbines and generators) of the "Army" project.

Following the successive removal of Cosid and Greek Techniques from the projects contained in Contract STH-1 (tailrace, spillway and dam), there remained only the execution of the underground projects (production unit) which in one way or another was handled by Cosid.

Nevertheless, as far as work on the production unit is concerned, time limits on its construction were already being narrowed down from the moment when Contract STH-2 went into effect. This contract related to the main electric engineering components of the project. Serious new problems cropped up for the execution of the work that contract STH-1 provided for. The problem had to do with the financing of the project.

Specifically, since January 1985 Cosid did not obtain any money due to the problem created in its relations with Greek Techniques.

Once again there was a danger that work on the project would stop. Thus, in the face of this threat that occurred in September 1985, the DEI board made the following proposal:

The last segment of the project is also to be taken away from the Cosid and Greek Techniques partnership and assigned directly to Cosid.

This segment was the underground production unit. The final decision for assigning Cosid this part of the project was taken by the DEI board in December 1985.

However, as soon as the decision was made known to Cosid, the Italian firm began to back off and to interpret the agreement in a way that caused a problem in the execution of the DEI board decision.

We now reach February 1986 when through yet another DEI board decision, clarifications were made on certain issues that relate to the guarantee for Cosid as far as its relations with Greek Techniques are concerned.

This is followed by yet another backing off by Cosid that had to do with the return to DEI of that part of the down payment that had not been taken out of the project, as was provided for in the original agreement.

Many meetings between Cosid and the DEI administration were held to discuss this matter.

Differences between them were finally negotiated with the legal help of Prof I. Krispis and in one sense acceptable to DEI.

Thus, on 17 June 1986, the DEI board took the final decision on the basis of the above agreements.

These agreements provided for the one-time deposit of part of the down payment that had not been eliminated.

It was decided that the deposit would be made in drachmas, ignoring the foreign exchange side, with the proviso that it would be approved by the Bank of Greece.

In a contrary decision, that is if the Bank of Greece did not approve the deposit in drachmas, DEI would then claim the foreign exchange part from Cosid.

This decision by the DEI board was implemented with the simultaneous presentation of a check by Cosid as a deposit (278 million drachmas) and the delivery to Cosid by DEI of the letter entrusting the project to it, dated 21 August 1986.

On the basis of the above developments it was naturally to be expected that DEI would have claims on the original Cosid and Greek Techniques partnership.

The contract, therefore, provides that these claims that will exist from both parties would be confronted through arbitration.

#### Tapes Provide Evidence in DEI Affair

Athens ETHNOS in Greek 12 Nov 86 pp 16-17

/Article by Aimilios Liatsos/

/Text/ The mystery surrounding the accusations made about the DEI scandal has grown with the cassette "bomb" that was handed over to the court yesterday by Argyris Velonis.

For the first time it was revealed that a third person, besides Velonis and Zakharias Kyriakis, was heard on the cassette.

A. Velonis, former representative of the Italian construction company Cosid, who handed over the cassette yesterday to Mr Anastasios Kanellopoulos, the public prosecutor, maintained the following:

"Three persons are heard on the recording: myself, Kyriakis and a third person. Kyriakis, who now works for Cosid, told me: 'I gave Panagiotis Mavrakis 10-12 million to give to his brother Dimitris Mavrakis, DEI director general, for the account of Cosid.'"

The cassette has already been transcribed and its contents are being examined.

The third person heard on the tape will be called on to testify on everything he knows.

In the meantime, besides Mr Velonis, the following testified before Mr Kanellopoulos: Aim. Bousios, DEI alternate director general; Panagiotis Mavrakis, lawyer, brother of the former DEI director general, D. Mavrakis; and Kharalambos Paraskevopoulos, vice president of the Greek Techniques Company.

Today, the preliminary inquiry continues with the deposition of testimony by witnesses.

Invited to give testimony are Zakh. Kyriakis who, despite concerted efforts by the police, has not been located, as well as Fabio Bertolini, the Italian director of the Athens office of Cosid.

As is well-known, Bertolini is ill in Rome.

Velonis answered questions put to him by ETHNOS when he left the public prosecutor's office.

ETHNOS: Mr Velonis, what do you have to declare?

Velonis: I gave the cassette to the public prosecutor and I have promised not to say anything more until the inquiry has been completed.

ETHNOS: Previously Mr Panagiotis Mavrakis, your friend, told us that the document is a fake.

Velonis: Eh, OK. How am I to blame? The question is that I am not the one saying that Mavrakis got the money. Somebody else says it.

ETHNOS: What persons took part in the discussion that was taped?

Velonis: It's a talk between two, three people.

ETHNOS: Who are these three people?

Velonis: I, Kyriakis and somebody else.

ETHNOS: Who is the other one? Somebody from Cosid?

Velonis: No. No, he has no connection. No one. No one....

ETHNOS: Has this person been called on to testify?

Velonis: Yes, yes....

ETHNOS: Has he testified yet?

Velonis: No, he has not.

ETHNOS: Did you send your letter to the DEI yourself or did one of your people do so?

Velonis: I did.

ETHNOS: Who took this document? Did all those to whom it was addressed receive it?

Velonis: No. Only Mr Deloukas, DEI legal adviser.

ETHNOS: In other words it can be maintained that none of the eight DEI people to whom the letter was addressed received it?

Velonis, Not at all impossible.

ETHNOS: When did you send your document?

Velonis: On 30 September.

ETHNOS: Why didn't the rest of the DEI people get it?

Velonis: That's not my business.

ETHNOS: As you know, your document reached the hands of Mr Ioannis Gavrilis, head of the public prosecutor's office, on 5 November. What caused the 34-day delay in such a tremendous case relating to charges of bribery of the DEI director general?

Velonis: I handed over my letter. From that time on I don't know what happened.

ETHNOS: How long was the cassette you gave Mr Kanellopoulos, the public prosecutor?

Velonis: It was transcribed on about four pages.

ETHNOS: Where did the conversation of the "three," that was recorded, take place?

Velonis: In my office.

ETHNOS: Of course, you taped them without their knowledge.

Velonis: Yes.

ETHNOS: When did these talks take place?

Velonis: In the beginning of July 1986.

ETHNOS: What was the topic of the talks?

Velonis: What I wrote about in my letter, namely that Kyriakis, as a Cosid representative, gave 10-12 million drachmas to Panagiotis Mavrakis to give to his brother, at that time DEI director general. Note that my document was the tip of the iceberg. Underneath that I don't know what the devil is being hidden. I don't know what stories are being made up or what clashes are occurring at this very moment when we are talking. I am outside of such intrigues. I will tell you the following: I am open to every discussion with anyone. I do not have any problem. The problem at this moment is that things have been disclosed. And now enormous interests are clashing. I did not agree to bribe anyone. I left. I did not agree to play the Cosid game.

I emphasize the following: The Italian firm Cosid is in despair at this time. Why? Because the Italians have not obtained any money from the DEI for work done on the "Army" project for 25 whole months now. And what have the Italians been doing all this time? They are self-financing the project, continually bringing in foreign currency. How much foreign currency will they continue bringing in, however? Until when will this continue? Suddenly a man shows up at Cosid and says: Don't worry. I'll solve the whole matter. Cosid officials knew that a case that got started in DEI today would end a year later. I don't justify their actions to try to bribe DEI officials. But put yourself in their place. When I was in Cosid I gave my blood. I lived this affair for 3-1/2 whole years. I had devoted every second of my life to Cosid. So that the project would progress. But not through bribes and suspect work. The issue now is that the case should not be reopened backwards because it's not good.....

ETHNOS: I detect a threat in your sentence. In other words what happened in past years?

Velonis: It would be better if the case were not reopened backwards. Because as soon as it should be reopened backwards and we go to the beginning when the project got started, then you will see that many other things had happened. About which the Italians had no responsibility. Our compatriots are to blame.

ETHNOS: Whom do you mean?

Velonis: The "Army" project should have been completed 3 years ago. Three years ago we should have had electric power coming from the "Army" project. And I ask. Why wasn't it completed? Who's responsible for that? Who are those responsible for the delay? Why wasn't the project completed on time? That's the big question. That's what's important in the long run and not Kyriakis' or Cosid's 150,000 dollars.

ETHNOS: What do you believe?

Velonis: This case will never be solved because Greek Techniques, that started out on the project together with Cosid, was already a dead company. It was a ghost company in a partnership. The only thing it lacked was the registrar's death certificate. Cosid paid for everything. At this time, Greek Techniques owes over 1 billion to Cosid.

On the other hand, Khar. Paraskevopoulos, Greek Techniques vice president, said the following to ETHNOS after having given his testimony: "I had nothing to say about the issue that is at this moment occupying the public prosecutor because it refers to a period of time when I did not have anything to do with the project. Simply put, whatever I could say to the public prosecutor so as to help him I said."

ETHNOS: Today, Mr Velonis declared that Greek Techniques owes Cosid more than a billion drachmas.

Paraskevopoulos: What can I tell you? That's a whole story by itself. Mr Velonis is talking nonsense.

ETHNOS: Why was Greek Techniques pulled off the "Army" project?

Paraskevopoulos: I don't have data with me at the moment. I can't answer you now. At any rate, that's been written about.

ETHNOS: What has Greek Techniques lost from the "Army" project case?

Paraskevopoulos: More than 2 billion drachmas.

ETHNOS: What did Cosid gain or what will it gain from the project at hand?

Paraskevopoulos: If what has been written about 50 million dollars is correct, then what can I say? At any rate, I have to say that this whole story is not a transparent one and is not convincing anyone.

ETHNOS: What do you mean when you say it is not transparent?

Paraskevopoulos: The developments that have occurred are not developments that derive from the natural course of the implementation of a contract.

ETHNOS: Why wasn't the "Army" project completed? What difficulties were encountered to prevent its progressing?

Paraskevopoulos: The required equipment did not exist with the result that the project was delayed 3-4 years. According to initial planning the project should have started producing electric power several years ago.

ETHNOS: What was the cost of the contracts that Cosid and Greek Techniques had signed with the DEI?

Paraskevopoulos: The contracts were for 4 billion drachmas.

ETHNOS: Do you work 50-50 with the Italians?

Paraskevopoulos: Exactly.

On the other hand, Panagiotis Mavrakis categorically denied the Velonis accusations.

ETHNOS: Mr Mavrakis, in his letter Velonis maintains that Cosid's representative, Zakh. Kyriakis, gave you 10-12 million drachmas to give to your brother, Mr D. Mavrakis, at that time DEI director general.

Mavrakis: I told the public prosecutor that everything mentioned in the so-called Velonis document and that concerned me was an outright lie, an unfounded, malicious deceitful lie or any other description you can apply to him criminally punishable or questionable. These things downgrade my personal honor and respect as a person.

ETHNOS: What were your relations with Mr Kyriakis?

Mavrakis: Friendly at any rate and I do not hide the fact that I've known him for 25 years.

ETHNOS: If the Velonis document is unfounded how do you interpret the behavior of your good friend?

Mavrakis: I'm sorry but you must understand that I must maintain the secrecy of my deposition before justice. Whatever I had to say I said before the public prosecutor.

Mr Aimilios Bousios, DEI alternate director general, testified for about an hour.

Mr Bousios told ETHNOS: "I received the Velonis document on 6 November. However, the press gave the issue more coverage than it was worth."

#### Italian Businessman Involved

Athens TA NEA in Greek 13 Nov 86 p 5

/Text/ Fabio Bertolini, the Italian director of Cosid, arrived yesterday and testified before Mr Kanellopoulos, public prosecutor.

His deposition lasted about 2 hours. According to allegations made by Mr A. Velonis, former Cosid special adviser, Bertolini reportedly asked that the DEI board chairman and director general be bribed so that the firm might succeed in its goals.

Following his deposition Fabio Bertolini refused to talk to reporters with the excuse that he did not know Greek (his answer was given in perfect Greek). He was asked again in English but again he showed that he could not understand. Finally, when he was asked again in Italian he said that he did not know anything about the charges against him.

In a statement sent to newspapers, Cosid maintained that "those allegedly engaged in so-called illegal dealings with the DEI are unconnected and unrelated to what has been published in the press. The involvement of the name of the firm is deceitful and slanderous. It has up to now unknown goals."

Zakh. Kyriakis, the Cosid man who reportedly --according to Velonis' allegations-- had undertaken to finance DEI officials, did not show up to testify yesterday.

Mr Kanellopoulos, public prosecutor, had once again called Zakh. Kyriakis today to a new address that police had given him. At any rate, according to our information, tomorrow, Friday, Mr D. Mavrakis, former DEI president and director general, will testify. With Mr Mavrakis' deposition the preliminary hearing will be completed and on Monday Mr Kanellopoulos is expected to render his decision on the case.

#### OTE Irregularities

Athens I KATHIMERINI in Greek 18 Nov 86 pp 1, 3

/Excerpts/ The shadow of the scandals, with their continuing accusations, involves the two biggest public companies of the country, namely DEI and OTE /Greek Telecommunications Organization/, and is now spreading to the Aspropyrgos refineries creating understandable concerns in public opinion over the way public funds are being handled. It also is creating a major problem for the government. The prime

minister finds himself in an unusually difficult situation since in this asphyxiating atmosphere that has been created he is unable to undertake any political initiative. Characteristic of this is the postponement of the PASOK Central Committee assembly.

Accusations about scandals in OTE came out over the week end by trade unionists at a meeting of PET /as published/-OTE representatives. A trade unionist talked about "schemes" and "plots" that have as their origin the organization's administration. There was also talk about fraud to the detriment of OTE, fraud ranging up to 564 million drachmas from a multinational firm, as well as a second case of fraud that relates to machinery (relays) resulting in another multinational firm benefiting by 500 million drachmas.

It was also charged that in view of the allotment of a bid for "concentric lines" amounting to 1.2 billion dollars the committee that opposed the approval was abolished and another designated. Finally, it was also charged that (a) the OTE building on Koletti Street is causing a loss of revenues to the organization from 5-8 billion drachmas a year because of quarrels among various companies; (b) a loss of revenues amounting to 130 million drachmas a year is caused by the inability of OTE to satisfy 2,000 requests for the installation of telex equipment.

These facts were contained in a report in yesterday's issue of I VRADYNI about which the government refuses to comment.

In his telegram the other day, Mr Tombras asked the organizers of the meeting not to lose the tape recording, which contained the speeches of the participants. In fact, he asked that the tape be handed over to the OTE administration and it is implied that in case this is not done he would claim it through a lawsuit.

Yesterday, Mr Tombras made statements (to a third party) and making reservations about lodging charges he said the following:

"1. At last, the relations of the 'leaders' of OTE's trade unionists and the multinational companies are being cleared up.

"2. The above-mentioned relays --procured at the time of ND-- 'are responsible' for a loss of 10-12 billion drachmas by multinational firms to the benefit of OTE.

"3. Mr Kelaidis' references to the matter of the concentric lines, an expenditure of 1.2 billion drachmas, confirms the position of Mr Theod. Tombras, OTE director general on the OTE board, who characteristically said the following with regard to the above matter: 'Never in this council did councilors ever ask for the commission of an illegal act.'

"4. The investment in the building on Koletti Street had been blocked with the ELVIL /as published/ competitive bid from as far back as 1980 under ND. PASOK had already unblocked it through a decision of the government council.

"5. The OTE directorate general will lawfully request the safeguarding of the tape on which the agenda of the PET-OTE was recorded and in which the above accusations were mentioned so that the organization's directorate might act to clear up these accusations."



PET-OTE answered Mr Tombras in a sharply worded communique signed by President A. Loverdos and Mr Io. Andoniou, secretary general.

In this communique, PET-OTE, once it reiterated the charges "about acts, actions and scandalous faults of the administration that did damage to the organization by many millions of drachmas, accused Mr Tombras for unacceptable intervention in the internal affairs of the trade union. The communique describes Mr Tombras as an abuser of the workers and a person who through his acts is trying to terrorize the workers and muzzle their trade union so that "undisturbed he could continue the high handed, authoritarian and fickle way" with which he exercises management to the detriment of the interests of OTE.

#### Refineries' Former Official Interviewed

Athens ELEVTHEROTYPIA in Greek 19 Nov 86 p 25

/Text/ Serious charges against and questions for ELDA /Greek Aspropyrgos Refineries/ that had been published from time to time were put before Mr Karakhalios yesterday by reporters:

- Was the purpose of the establishment of Asprofos to prepare studies for the modernization projects of ELDA or to assign them to the Italian firm Foster Wheeler?

- Up to now, has this firm received 5 billion drachmas? (It is to be noted that Asprofos is an affiliate of ELDA that participates with 51 percent and of Foster Wheeler that participates with 49 percent).

- Why does Asprofos violate bid files? For example, BLOKAT, METKA, CAVAZZI, IMPIANTI, etc.?

- How are the salaries of the Italians working on ELDA projects, that amount to 1.5 million drachmas a month, justified?

- Does Mr Papavranousis, ELDA management adviser, have special relations with Foster Wheeler?

- Why are overruns approved for about 60 firms among which are TAD, 3.4 million dollars; OLM, FASANI, 4.5 million dollars; PMSI, 600 million dollars, AKTOR, 800 million dollars, VREVANA, etc.

- Why are bids for the turbines being reopened since Rolls Royce was the lowest bidder by 150 million dollars? Perhaps because FIAT did not come out the lowest?

- What connections does Mr Papavranousis have with MEVIKAT and why is he now having a villa built?

Mr Karakhalios answered as follows:

- ELDA, in cooperation with Asprofos, invited a series of bids and examined 2,000 offers in 1-½ years. The economic offers went into the account given to ELDA while the technical offers primarily to Asprofos.

- A limited number of economic offers were opened by Asprofos because there was an error of proof to the assignee either through an oversight or partial opening at customs. This concerned mere procedural problems.
- Foster Wheeler assumed projects after international competitive low bidding.
- The bids for the turbines were reopened on a decision of the ELDA board, in full knowledge by the Ministry of Industry, Energy and Technology, because certain offers were not technically complete and the remainder were financially unfavorable.
- Mr Papavranousis is not building a villa nor does he have relations either with Foster Wheeler or MEVIKAT.

#### Second Scandal in Refineries Revealed

Athens ETHNOS in Greek 20 Nov 86 pp 15-17

[Article by Dim. Kalandzis]

[Text] Yesterday, Minister of Industry A. Peponis revealed yet another scandal, this time the sale of naphta to the multinational company "Daw Chemical [most probably Dow Chemical] by the state Aspropyrgos refineries.

Bringing to light all the unknown facts and the behind-the-scenes activities on the case of overruns by 5.5 billion drachmas in the refineries project that is now in the hands of the courts, the minister announced that he has also sent the naphta case to the public prosecutor.

He also stated that in the next few days he intends to provide the public prosecutor with any new fact on the case involving this big state enterprise.

For 1-½ hours yesterday, the minister read to reporters from documents from the file that was a big blow to Mr Karakhalios, former ELDA director general, and for Mr Papavranousis, ELDA vice president.

He revealed that he refused to sign a plan having been sent to him by the refineries dealing with the sale of 130,000 tons of naphta, valued at 2.5 billion drachmas, to the multinational firm Daw because he realized the following:

1. The "rapid bidding" was for 30,000 tons which, in time, was increased to 130,000 tons.
2. There was no record of the evaluation of the offers by any competent committee.
3. The contract with the foreign firm had already been signed and the first "batch" of the product had been loaded.
4. Daw successively submitted two bids, in fact, one 1 day after the deadline set by the refineries.
5. There was a clause whereby in case where the naphta did not meet certain

specifications the price would be adjusted outside of the contract through negotiations between ELDA and DAW.

These facts are included in an informative memo drafted by Mr And. Georgiadis, secretary general of the ministry, and that was submitted yesterday to the public prosecutor.

Mr Peponis also said that the ELDA board record book did not show any document with a Number 366 that related to overruns on the project by 5.5 billion drachmas.

As he was told by the refineries vice president, this happened because there were disagreements and as a result it had not been signed up to now, even though it went back to last July.

In answer to a question on the naphta case, Mr Ath. Papavranousis, ELDA vice president, said the following:

"Naphta is under the jurisdiction of DEP /Public Petroleum Corporation/ as are liquid fuels. I cannot answer you. I don't know. Mr Karakhalios is the competent official who, as far as I know, is still with DEP."

Among the many new facts brought to light on the behind-the-scenes activities by the minister are how the investigation began, the first answers given by Mr Karakhalios to the ministry when he was called on to justify the accusations and how the committee set up to investigate the charges was set up, under his control, as Mr Peponis has maintained.

The following are the full statements made by Mr Peponis and Mr Georgiadis yesterday:

Question: When did you learn about the ELDA charges?

Peponis: If you agree that I began assuming my duties on 3 November, I would say that from the very outset I began receiving memos from a variety on non-responsible directions to look out for what was happening in the Refineries.

I subsequently learned that there was an article on ELDA in the newspaper KALAMI.

On the initiative of the refineries administration that I be informed about such matters, I must say that up to this very moment while I'm talking with you there has never been such an initiative.

No one came over to me to tell me that we have some problem, some people have slandered us, some people are accusing us and we want to let you know. No one!!

I came across two documents. One says "Communique No 3" and has a peculiar signature, namely "the Former," while the second document says "Mr Minister" and is dated 30 October 1986. If I accept, as is most logical, that the person who wrote it did not write it after 9 pm, time when the television news announced the government changes, it was evidently addressed to my predecessor, Mr Natsinas.

All of us have our guarded position, a side which shows cautiousness to anything nameless.

Thus, I too did not want to attribute any importance to it at first. A few days later I received the notification that an accusation did exist, with a name on it but unsigned, and that I was going to get it.

I called in Mr Deloukas because I had contacts with him in his capacity as DEI legal adviser. So, I called him in and told him that there was a strange atmosphere around. I had these anonymous letters and some other information. What's happening?

Mr Deloukas maintained a reserved stance but his last effort was supportive of the refineries administration.

I hasten to add that I respect and honor everyone but as far as Mr Deloukas is concerned I am of the opinion that he constitutes a model of a man with an indomitable character.

I told him that I deemed it proper, since accusations existed while although anonymous did contain specific facts, to call in Mr Karakhalios to provide an answer.

And there was a Karakhalios answer. On 11 November 1986. That was the day he gave it to Mr Deloukas but I don't remember when I got it.

I must say about Mr Karakhalios' answer that I am not in a position to evaluate it but it left me with some questions that I will mention to you, namely the following:

With regard to the matter of the opening of the files on the economic bids, he says the following and I read: "A limited, very small number of bids were received and were opened by Asprofos because" now listen to this: "either it had an erroneous proof of the assignee or a second possibility the assignee was Asprofos without there being any proof that it was a question of a bid.

"A third possibility was that it was a question of a technical and not an economic bid. A fourth possibility was that it was an employee's oversight. Finally, a fifth possibility was that it was a partial opening at customs."

I immediately began to have doubts. Since the number of files that were opened was very small he should have told me: First of all, what was that number and if there were so few why so much disorder? I felt that this answer was easily "convincing" because although I won't get into figures I'll talk to you about this later.

There was one charge about excessive payments to Italian foremen. The charge said that they cost ELDA 1.5 million drachmas a month.

There was no answer either as to whether there were foremen or if they got 1.5 million drachmas. The answer given was: "It is noteworthy that the technical personnel from Italy, with 10-25 years experience in constructing refineries, cover such sectors as automation through the use of computers for which there is no equivalent in Greece."

Mr Karakhalios also said: "At the same time, purchases of spare parts that were arranged 12 months after the original orders, as well as additional quantities were not recorded in the board's record books."

In other words, the above that constituted an error on the part of the secretary, Mr Kelidis, were confronted by the board by a series of decisions...

A question: what kind of management prevails in the refineries so that we have this erroneous record keeping in many instances? OK if there is one, two or three. But many? That's what made me say: I found out all by myself very many administrative and management irregularities.

Because as a lawyer I know that a company's records are corrected and at the next meeting they are checked and approved by all the members.

The certain thing is that the error is being found out very very late....

I believe that when a corporation we manage belongs to all the Greek people and as such we should be more careful.....

In the meantime, I received the famous charge from Mr Kelidis. Signed. It had two columns of most harsh descriptions referring to the manner of management.

I had basic information that Kelidis would have, under certain conditions, handed them over to the refineries. And I waited.

Altogether unofficially I was informed that a process for setting up committees had begun in ELDA, I informally learned that the committee to investigate the charges had been set up by the ELDA president after a proposal by the legal adviser. Making up the committee were Mr Sakkas, Mr Liakakos and Mr Tzouros.

The certain thing is that this committee was set up with the participation of Mr Karakhalios himself who, being checked, had an opinion concerning the committee. That is certain and I assume responsibility.

I have the most reliable indication, but not proof, that Mr Deloukas, the president of the refineries, took part by phone in the decisions over the committee's composition. Some individuals who were holding discussions there, including Mr Karakhalios, got Mr Deloukas on the line and told him about the composition of the committee.

At this point the secretary general had something to say:

Georgiadis: Yes, today we made the decision to establish this committee that is signed by Mr Karakhalios and Mr Papavranousis.

Peponis: It is here acknowledged that Mr Karakhalios took part in its establishment.

Georgiadis: The most important fact is that in a newer service memo again signed by Karakhalios and Papavranousis the committee was reorganized without any mention being made as to who left and who came in.

The argument given was that "their inability to function within the fixed framework led to their resignation which was accepted."

Peponis: As you know (he reads) "on 7 November, Messrs Anastasios Papavranousis and Athanasios Karakhalios, with the affirmative opinion of the board chairman Mr Deloukas, established a committee made up of Messrs Agisilaos Sakkas, lawyer, Argyrios Lygeros and Andreas Tzouros, managers, for the purpose of examining closely the written charges and anything else that comes out of the proceedings.

"Besides documents, the committee can also examine witnesses who because of their duties have a connection with the above-mentioned charge, specifically Messrs Perpinias, Lagonikas, Kelidis, Gavriilidis and any other person whom it deems necessary. The findings of the committee must be issued within the briefest possible time."

This is the famous expression that is used when we want to say: You know, I won't be that brief.

In such matters deadlines are specific and if there is a given reason an extension is given.

There follows a service memo dated 13 November that says the following:

"The committee's directorate general, with members being individuals of high grade in the hierarchy and recognized in their field of work.....

"The inability of the committee members to function within the fixed framework leads to their resignation that is accepted."

Whatever you understand I too understand. Who resigned and what are the parameters of the job? We received the information in the ministry today.

In the meantime, I learn that in the evening of the 12th of the month Mr Kelidis, as I was informed --I insert a paranthetical remark, namely I never saw him nor heard him on the phone, either on his initiative or mine-- handed over to this committee the document that had come to me with all the available supporting evidence.

I now come to something else. I have a telex with a ministerial decision plan dated 13 November 1986, on which I had made a notation "I refuse signing."

This was a telex asking me to sign the approval of the sale of a quantity of naphta to the well-known multinational firm "Daw Chemical."

When I received it I asked my colleagues what are the documents that support this decision. I want the competitive bids. The record, those who took part, the lowest bidder. What's going on?

They tell me we don't have them. Let them find them.

I answer: I won't sign.

At that moment some service employee said: "You know, Mr Minister, it's urgent. He's arrived to load the vessel."

I answer him: The one who brought the vessel has three solutions, excluding a fourth. One is to pay for the delays, the second is to buy the naphta and load it on, the

third is to give up and the fourth is commit suicide which I do not recommend.

The next day they sent me a document from Mr Karakhalios addressed to Mr Dri (ministry adviser) which stated that six firms had been invited but the most important was Daw etc. and that there was a "speedy bidding process." I say this officially. I told my colleagues that I am familiar with the terms "bidding" and "improvised bidding."

My legal knowledge did not go as far as "speedy bidding process" and I'm terrified. I once again refused to sign!!!

Then a telex arrived from Mr Karakhalios who said, "I beg you to sign the decision on the naphta quickly."

In the meantime, Mr Georgiadis assumed his duties as secretary general. On the 18th of the month he gave me the following message:

"On 17 November 1986, the following came to my attention: on 13 November 1986, as the minister made known to me, a ministerial decision plan was produced by a Mrs Douka, employee of the Ministry of Industry. The document, signed by certain employees as well as by the secretary general at the time, bore the date 13 November 1986 and dealt with the approval of the sale of naphta, produced by the Greek Aspropyrgos Refineries, to the firm Daw Chemical, via the firm "Poten and Poten, London." A quantity of 30,000 tons was for immediate delivery and 100,000 tons was for delivery up to the end of July 1987.

The minister signed the above-mentioned plan and asked for the submission of supplementary data for establishing the benefits and legality of the action.

Sworn in on 17 November 1986, I requested on that very same day the relative file a study of which revealed the following facts:

- On 31 October 1986, a telex was sent to DEP by ELDA in which ELDA's telex is made known to nine purchasers who are invited to participate in competitive bidding for the purchase of 30,000 tons of naphta.
- On 7 November 1986, a telex number so and so was sent to the Ministry of Industry by DEP which requested approval for the sale of 30,000 tons for immediate delivery and 100,000 tons up to 31 July 1987, based on the table of evaluated bids submitted by ELDA to DEP on 5 November 1986.

The same telex mentions that in case where a given load does not meet fixed specifications the price could be determined by negotiation between seller and buyer.

- On 11 November, ELDA requested, via DEP, the signing of the document as quickly as possible.

On 18 November, a document was given to the general /as published; unclear as to whether it is the director general of the secretary general/ that was sent on 14 November with a notation that the highest bidder was Daw with a speedy billing process. Mention was also made that the consignment was already made.

The findings were as follows;

1. Calls were made for 30,000 tons while it was a question of 100,000 tons.
2. There was no evaluation record.
3. While the deadline for submitting bids expired on 3 November, Daw submitted a new bid on the very next day, 4 November.

The contract was signed on 7 November and, according to information, the loading of the first batch has already taken place.

Peponis: But there was also that last straw. I received an anonymous telephone call. The person told me to look for a report No. 366 dated 24 July 1986. I phoned Mr Papavranousis who sent me a photocopy of the the record but I insisted and asked for a certified copy. Mr Papavranousis explained to me that that was not possible because there was no registration made. He said there were disagreements among members of the ELDA board and they refuse to sign.

I asked who disagreed and he told me: I don't know. I don't remember.

Mr Karakhalios could not be removed from the refineries with only one single accusation but here we had most important indications in a minimum of days.

This morning we gave instructions to Mr Renzeperis, the legal adviser of the ministry, to submit to the public prosecutor all of this data to be added to the file and to be evaluated together.

I want to declare once again that neither do I maintain nor think that there has been a usurpation of money. This is an issue for the judge to examine and to describe the actions.

Yesterday noon, the government spokesman was asked in the press room if Minister of Industry Peponis had informed the prime minister about his statements made the other day on the refineries matter.

Last evening he answered in writing that "Mr Peponis acted within the context of the general and known instructions of the prime minister."

At noon, he had answered "evidently, yes," having reservations as to looking at the issue and in answering later.

#### Irregularities in Ship Construction Reported

Athens I KATHIMERINI in Greek 26 Nov 86 p 1

/Excerpt/ While the government continues to show a lack of sensitivity by refusing a political discussion in the Chamber of Deputies on the charges about a scandal something that would facilitate and speed up the task of the courts, two issues that for days now have been the subject of interest to public opinion were referred to a regular judicial inquiry yesterday. These have to do with charges as well as events that occurred in the Aspropyrgos Refineries and the sale of Yugoslav corn misrepresented as Greek! In both of these cases --and solely from the charges



made-- serious political responsibilities emerge for the government, responsibilities that will be most difficult to be defined in a mere judicial inquiry. Consequently, the government's refusal to accept its self-evident duty to conduct a political dialogue in the Chamber of Deputies and to agree to a check on how it handles public funds is being interpreted as an endeavor to hinder justice in moving forward in its inquiry up to the very end.

New fronts appear to be opening for the government:

- With the accusation that construction of three navy auxiliary vessels was assigned to a shipbuilder, also the owner of a boutique, who was granted a generous advance.

- With the revocation, through ministerial intervention, of the resignation submitted by the DEI assistant director general for a project assigned to PYRKAL /as published/.

Accusations about scandals have now spread to the armed forces! Yesterday's most serious charge relates to the assignment of the construction of three navy auxiliary vessels, with scandalous conditions. The issue is so serious that, as is being stressed, it must be immediately examined by the Ministry of National Defense.

The conditions included in the contract are considered really scandalous. According to these conditions, (a) the original shipbuilding cost, that comes to 130,470,000 drachmas, is subject to readjustment for the entire time the contract is in effect; (b) within 30 days of the signing of the agreement the navy will pay 80 percent of the original price of the first vessel, that is 34,792,000 drachmas; (c) the deadline for the delivery of the vessels was set at 9 months for the first vessel, 12 months for the second and 15 months for the third. Within 30 days after the delivery of the first vessel the remaining 20 percent of the original price for the first vessel and 80 percent of the original price of the second vessel will be paid. And (d) all of the shipbuilding plans will be handed over to the shipbuilder.

The decision for awarding the contract was signed by Capt S. Panorios.

According to information, the shipbuilder has connections with a navy lieutenant commander who has already tendered his resignation which, however, has not been accepted as of this time.

The first question in this whole matter is why the GEN /Navy General Staff/ farmed out the building of the three vessels instead of having the navy build them itself since their delivery would have taken place in half the time while the cost would have been much less. It is to be noted that the assignment of the project was made to a PASOK Nomen Committee officials who certainly is engaged in shipbuilding projects but is also an owner of a boutique.

This was preceded by competitive bidding which experts qualify as a "farce." They put forth the following arguments to support this:

- Only two individuals took part in the bidding.

- A month after the signing of the contract a sum of 34,792,000 drachmas was paid to the shipbuilder and owner of the boutique, a sum that was later doubled (it reached 78 million drachmas). With this money he set up offices and gave all the shipbuilding work to subcontractors since he himself did not have any shipbuilding facilities nor any other shipbuilding infrastructure.

#### 'Tax-Free Shops' Affair in Court

Athens EMBISTEVTIKO GRAMMA in Greek 12 Nov 86 p 3

/Text/ A new case involving "rake-offs" again amounting to 500 million drachmas will appear in the press beginning on 19 December. This will come about as a result of a trial that will take place on 18 December at the Sixth Three-Member Misdemeanor Court of Athens. The case concerns supplies of tax-free shops in Greek airports. The period being examined by the court begins when these tax-free shops began to be managed by the Ministry of Finance and goes up to 1983, years during which Mr E. Marettas, inspector of the Ministry of Finance, had made a check and had found out about "a 500 million drachma job."

It is characteristic that, according to information, in his report to Deputy Minister of Finance Dim. Dimosthenopoulos at the time, Mr Marettas mentioned that a "rotten situation" prevailed in these tax-free shops and named Mr Giorgos Giannousis, Mr Dimosthenopoulos' "private secretary" at the time, as being implicated in the 500 million drachma "job."

Mr Marettas' report came out publicly a year later, i.e. December 1984, when Deputy Minister of Finance Dimosthenopoulos and his private secretary Mr Giannousis had left office.

Under Tsovalas, alternate minister of finance, and after articles had been published in the press, the Marettas report quietly went to the public prosecutor. After a period of 2 years the case now goes to the court on 18 December. There we will find out who really is implicated in this "500 million drachma job."

#### Party Cover-Up Alleged

Athens I KATHIMERINI in Greek 25 Nov 86 p 1

/Excerpt/ The replacement of competent state officials and officials in the public prosecutor's office by PASOK party committees and bodies, as well as the "comradely" concern in trying to conceal charges over scandals in the Aspropyrgos Refineries are putting a new dimension to the case. An article in the pre-eminently pro-government newspaper TO VIMA last Sunday revealed the following: (a) specific accusations about management in ELDA were made months ago not, however, to the public prosecutor's office or to the Ministry of Industry but to the PASOK Executive Office. The "comrade" businessman asked of the PASOK Executive Office to mediate a meeting with the recently fired director general, namely Mr Karakhalios. (b) Accusations against Karakhalios remained unanswered due to the intervention of the PASOK Western Attiki Nome Committee that threatened to abstain from the pre-electoral municipal elections campaign.

This new twist in the ELDA case --concerning which a criminal action will in all probability be instituted today by the public prosecutor-- was not commented on at all for 2 days either by the government or the PASOK Executive Office, as if the replacement of competent state officials and the concealment of charges constituted matters of little importance.

As noted by political observers the political responsibilities --most probably not only them-- for the ELDA case are now going beyond the "close" circle of the refineries officials but are extending to the party and government apparatus with the final natural recipient being the prime minister.

The only reaction by the government was manifested last Sunday evening and of course was centered on the ELDA whose board was replaced leaving unsullied the responsibility of the PASOK Executive Office members who knew about the charges and who for months tried to hide them.

A second reaction was manifested by the prime minister himself at the time of the Gorgopotamos celebration. Mr Papandreou brought up his proposal of a year ago --which had in the meantime fallen into oblivion-- on the establishment of parliamentary committees that would be able to set up a "bipartisan" committee to handle the Aegean and Cyprus issues as well as matters dealing with education.

#### Pro-Government Paper Decries Papandreou Actions

Athens PONDIKI in Greek 7 Nov 86 pp 8

/Excerpt/ Now that we have said everything in the two previous pages, what are we going to say here? You most probably are asking that question. We could say that we are presenting scenes from last Monday's scandal! For example, about the brother of somebody high up or about the very active godfather of somebody else or about some purchase of areas in America or finally about the well-known export story but we will not do it. And we will not do it because first of all there should be unshakeable (for such stories) facts and secondly because we have not yet recovered from the shocking things that happened the last few days with "green" protagonists. We are frozen stiff!

Who ever heard of a prime minister of a given country making accusations to his party's (his Movement's) executive office that somebody "at the head of a big company" had got it (even if he were saying it nicely: "If he were making a small gift to me, perhaps I'll understand, without, of course, relieving him of responsibilities. But not 500 million drachmas!") without at the same time grabbing him by the neck and dragging him off to the public prosecutor?

Who ever heard of a prime minister having in his possession for at least a month charges about an attempt to bribe DEI officials without his cleaning up the mess by sending to the public prosecutor those who had to go? (Those charged if the charges are true or the slanderers if the opposite is true).

Who ever heard of eight (the figure 8) high-level DEI officers having in their possession the same charges since 30 September without making any move?

Who ever heard of a deputy minister receiving in his office persons who wanted to bribe him and his not grabbing them by the neck and hauling them off to the public prosecutor in a paddy wagon?

Who ever heard of a deputy minister hiding for about 20 days the fact of an attempt to bribe him and then at a given moment telling about it --in a mixture of seriousness and a joke-- to a reporter just as if he were telling some joke he heard in a friend's house?

Because, before going completely mad, we must here and now clear up perhaps the most important point of all that strangely is being forgotten: that this whole story of scandals that is shaking the country started out from the PASOK Executive Office, in other words from the time of its meeting Wednesday before last.

Since Thursday the story about the 500 million drachmas was "circulating" in newspaper office corridors. On Sunday it came out (clearly) in TO VIMA together with (a coincidence) the "parallel" story of Deputy Minister Khristos Fotiou!

And, of course, both government and executive office denied any such conversation took place.

However, first of all, it is difficult for anyone to believe them because for some time now the government generally-speaking and specifically its press spokesman have lost their credibility!

Secondly, things are much worse if something like this was not checked in the executive office and came out. Because for sure it came out from there.....

#### Papandreou Rejects Review Panel Creation

Athens I KATHIMERINI in Greek 27 Nov 86 p 1

/Text/ Prime Minister A. Papandreou has rejected the creation of a parliamentary review panel to look into the scandals. The findings of such a panel would also have facilitated the task of the judiciary. The rejection of this request made by the KKE which had presented it yesterday to the minister to the prime minister through its parliamentary spokesman had as its evident purpose to lessen the very heavy political responsibility of the government over the charges about improprieties with regard to the squandering of public funds, responsibility that would have emerged either during the discussions before the Chamber of Deputies or from the investigation.

This evaluation was strengthened even more by last evening's decision by the prime minister in which he connected political responsibility to a previous decision by the judiciary while at the same time, through the same statement, he also noted that the charges might also be slander.

Mr Papandreou's statement read as follows:

"All the charges that relate to persons in public enterprises have been forwarded to the judiciary because only the judiciary can find the guilty parties and the slanderers. If legal procedures are not completed and justice is not rendered, political responsibilities for actions and neglect on the part of anyone whatsoever cannot be attributed.

"My decision is that if facts for political responsibility or guilt should show up then the most severe punishment should be meted out regardless of the level of the rank of those responsible. And then, of course, the Chamber of Deputies and the Greek people whose interests we are pledged to serve will have a say."

#### The KKE Announcement

"Nikos Kaloudis, parliamentary spokesman of the party, today met with Minister to the Prime Minister Akis Tsokhatzopoulos and handed him a KKE proposed measure according to which the government is called on to move forward at once to set up a parliamentary review panel to look into charges about improprieties and the squandering of public funds so as to shed light on all aspects of the problem and to have the Greek people responsibly informed."

In the written statement presented to the minister to the prime minister by N. Kaloudis stress is placed on the fact that the issue does not end by a mere attribution of criminal responsibility on certain individuals but that it is a pre-eminently political problem. For that reason it adds that the Chamber of Deputies must intervene and set up a bipartisan panel which, with increased authority, will conduct an in-depth investigation.

The KKE addressed itself to the government for the creation of such a panel because it does not have the required number of deputies in accordance with Chamber of Deputies regulations.

In the proposed measure N. Kaloudis also asked the government to move forward at last on legislating the substantive participation of eligible worker representatives in the management of all public firms as one of the basic conditions for the proper handling of public funds.

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CSO: 3521/35

## GATTAZ ANNOUNCES HIRING POLICY'S SUCCESS

Paris LE MONDE in French 30 Sep 86 p 42

[Text] A guest of the "RTL-LE MONDE Grand Jury" on 28 September, Yvon Gattaz, president of the CNPF [National Council of French Employers], announced that his decision not to run for a new term in mid-December was "irrevocable."

With regard to employment and business executives' relative eagerness to hire, the CNPF president said: "When we announced in the beginning of 1985 that we would come up with 300,000 alternate training contracts between March 1985 and March 1986, people laughed. We kept our word, however. Today I can tell you that if everything continues the way it is going, from July 1986 to July 1987 we will do over 400,000 alternate training contracts."

Mr Gattaz admitted that the government had tried to cut back expenses, but he added: "The government did not want to grant specific investment aid through tax credits or accelerated amortization. We regret this. It opted for other ways to assist businesses...." As for the professional tax, this is "the stupidest tax in the world. It simultaneously taxes employment, investment and exports."

On the issue of workers' participation in the management of enterprises, Mr Gattaz said that "the CNPF will not veto Mr Seguin's proposal, since it is optional," and he went on to say: "We would be happy to see shareholding develop in French enterprises so that workers could gradually become part owners of their business.... If fiscally interesting methods for arriving at this can be found, so much the better! But, if a new counter-power has to be brought in, in addition to the shop stewards, enterprise committees and union representatives, then it is not a good idea."

Referring to his relationship with political leaders since 1981, the CNPF president said in conclusion: "I have had a good relationship economically with the President of the Republic. We have met frequently, and the meetings have been very polite. He has always listened attentively to me. I will not say that he has done everything I asked of him, unfortunately! But he has always listened attentively, and I think he played an important role in changing the leftist government's attitude, creating a better understanding of business, limitive spending, and lifting certain constraints."

9805/12859  
CSO: 3519/10

## RELIGIOUS DOGMA HIT AS DETERRENT TO DEVELOPMENT

Istanbul CUMHURIYET in Turkish 11 Sep 86 p 2

[Article by Vehbi Belgil]

[Text] The extreme right is uncomfortable. It is in anticipation of becoming government on its own. It is in anticipation of coming to power with a whole baggage -- its madrasas, shari'a, religious dens, and with slogans like "Sovereignty Belongs to God", its Ahmadiyya, Muhammadiya, religious wedding, traditional garb, chador and so on.

For the extremists, Ozal is not 'rightist' enough. They do not want to become the right-wing of a coalition government either. What they want is to assume power on their own, enabling them to implement their outdated programme to the letter. Their cadres are ready, and more are on the way. Otherwise, how does one explain the training of clergy in numbers exceeding the country's needs by several hundred times?

But power is not handed over just like that. There are wolves everywhere. 'Homo homini lupus' is an apt expression in this context. One would have to get rid of the wolves first. But how? Well, for a start, one could try pitching a few lofty slogans. How about, "Ottomans founded a world empire because of their close adherence to religion, if we did the same all our problems would be solved." Another slogan would be about culture: We were the proud possessors of a fantastic culture. During the Ottoman era we were the toast of the whole world. Thanks to Ataturk, the ties connecting us with this magnificent culture have been severed so that Ataturk could elevate himself. How did he do it? Through change of the alphabet and the language! If we revert to the old alphabet and language we might be able to rectify the error!

Lots of Baloney

For someone to come up with such slogans, or even imagine such things, one would have to be cut off from the real world, as

well as being ignorant of the old culture itself. One is reminded of the lyrics of an old song: 'Love's fragrance breezes through the garden/Where is my master and where am I?'

First of all, the solution to our problems does not lie in re-establishing our hegemony over other nations. We cannot do it even if we tried, they won't let us. The solution lies in the transformation of Anatolia with the light of science and modern technology. Countries 25 times smaller than Turkey -- Belgium, Switzerland, Holland -- have a say in world economy. The annual inflow of foreign exchange to these countries, which are no larger than our Ankara province, is \$53, 27, 69 billion, respectively. That is what I would call world hegemony!

And, what is so great about our culture anyway, may I ask? Are we the ones who produced the likes of a Socrates, Plato, Aristotle, Copernicus, Galileo, Newton, Einstein? Maybe we received so many Nobel prizes that we suffer from an embarrassment of riches! Shakespeare, Racine, Corneille, Moliere, Goethe...are these the fruits of our labor? How many of the approximately 1500 disciplines in science can we claim credit for? And to which ones have we made any contribution? Lets say these are the infidels, heretics and so on, and that they have done nothing but confuse the world. But we haven't done anything for our own good either, have we?

The Ottoman empire was supposed to be the seat of Islam and the caliphate. Have we been able to produce, during the whole of the Ottoman era, a single work on the philosophy of religion? The answer is no. All we have been able to do is simply translate the works of Al-Ghazali and use them for public consumption. Our history has been written by others such as Hammer whose work hasn't even been properly translated. Our literary history, our grammar, the structure of our state, our system of laws have all been studied by foreigners and not ourselves. Our pre-Tanzimat literature was largely under the influence of Persian literature. Many of our works were mere imitations. And our post-Tanzimat literature is a wholesale importation of whatever French literature had to offer, as well as importations from other literatures.

As to positive sciences and natural sciences, what have we got there? We have already answered that question. We don't need to go very far, lets simply read an article recently appearing in CUMHURİYET (9 Feb 86 p 7). There, Professor Hakki Artun, president of Van University, was heard complaining, "We can no longer conduct regular classes anymore. We say life began in the oceans, they say, "Sir, our book Koran says exactly the opposite, you are contradicting it. Aren't you a Moslem? Don't you believe in the prophet?" That's what they say."



## Ottomans and Science

Writers like Dr. Adnan Adivar ('Ottoman Turks and Science') and I.H. Uzuncarsili have both written about science in the Ottoman period, and their comments about Ottoman 'men of science' could be paraphrased as follows:

He was a great scientist, a great thinker... As the greatest scientist of his time, he produced many works (Which works?)... He always came on top in the debates at the court... His knowledge in some areas knew no bounds... He was among the first-rate scientists of his day... Famed for his exceptional intelligence and breadth of thinking... He was influenced by X, he influenced Y (What influence?)... He was a library on foot...

What do we understand by all this? Nothing. Because in evaluating a scientist the criterion is not a torrent of verbiage but contribution to science. If someone were to ask, "What have Edison, Pasteur, Marconi, Fleming done?" the answer could be given in one word. Going through the '1000 Masterworks' series would give you a better idea about our 'great' culture.

If one group could be singled out for the backwardness of our scientific culture it would be the Ottoman schoolmen. They employ different tactics to cover their shame; The first of these is the so-called 'Turk-Islam synthesis' which, of course, is a sham. The objective here is to ensure our association with the Islamic civilization. It reminds one of the story. The man was asked, "How come you are so close to him?" The answer: "We dried our clothes under the same sun." Our relation to Islamic civilization is no different. Incidentally, 'Islamic' here means not Koranic origins but merely underlines that the civilization had not been exclusively an Arab creation -- numerous cultural communities had a hand in it, Jews among the most prominent.

The so-called Turkish-Islamic architecture and literature is nothing but fiction. Since there isn't anything that might be called non-Islamic Turkish architecture or literature, the whole exercise is meaningless. The aim is to denigrate the Turk and promote the Islamic. Those attached to the notion of Turkish-Islamic civilization are pointing to the likes of Avicenna, Al-Biruni, Ali Kuscü, and Rumi as the greats of our 'magnificent' culture! But these undoubtedly distinguished gentlemen of yesteryear are gone. And what have we accomplished since that time? We have not even studied their ethnic or cultural origins. Rumi was not a Turk, ethnically or culturally speaking. As it so happens UNESCO has published a two-volume book on Rumi among its Iranian Classics series. Avicenna himself admits

that his teacher had been Hippocrates, a Greek who lived some 1400 years before him. How can one reach judgement about Avicenna without first having distinguished between what was original and what was borrowed from Hippocrates?

Then there are the supposedly ethnicist-Turanists hankering after Central Asia who later decided to put on the garb of Islam and merge with the reactionaries. From nationalism and to a call for umma.

The latest ploy has been to promote the other culture as scientific culture. There is no denying that our carpets, our needlework, ornamentation, houses, mosques, inscriptions, cuisine, folklore dances are all priceless. But this kind of culture exists in all countries. What we are doing is to present these as if only we possessed such things and others simply had tough luck. Comparison between countries is based not upon this kind of culture but their scientific discoveries. When it comes to that we are out of contention.

#### Lack of Brains?

All this might lead us to conclude that the Turk suffers from a sterility of thought, or that he is mentally not competent to engage in scientific discovery. This hypothesis has a long history behind it. Yet men are the same everywhere, intelligence functions in every individual according to the same principles. French philosopher Descartes, in his Discourses on Method, underlines this point and goes on to say: "Hence differences in thinking do not come about because some of us are more intelligent than others but are due to the fact that, in thinking, we employ different methods and take different sets of facts as our point of departure."

Well, if that is so, why has the Turk failed to be creative? The answer is simple: Our minds are filled with dogmas spun like a spider's web, foreclosing the possibility of thinking. It was Ataturk who first saw this and suggested that our youth be guided by science and not dogmas.

Today, we know that our doctors, and scientists abroad are extremely successful. Our musicians receive standing ovations in concert halls everywhere. Our folklore groups always come first in competitions. All these should give us nothing but shame because we cannot create the environment for our people to develop their talents and abilities. Our novelists and poets are better known abroad than here. It is hard to imagine them being so well-known abroad in pre-Republican times.

But now certain dogmatists with connections stretching to other countries are once again engaged in dragging our youth to the swamps of Ottoman medievalism. They are, unwittingly perhaps, becoming traitors. This is what they are saying: "Our plight is due to our straying away from religion. If we return to the past God would be pleased and would be on our side, facilitate our development." That is ridiculous. We have fully implemented religion in the past 350-400 years. Why hasn't God been on our side? If not for Ataturk we would have been a Greek colony by now. If you fail to adapt your army, your weapons, system of laws and social structure to the requirements of the day and do not adopt science as your guide, then those who do would always come on top sending you down to the bottom. And that was what happened. The Ottoman empire was successful in its first 300 years due to its having established a system advanced for its day. But later, thanks to the decrepit guidance of the schoolmen, it sunk ever deeper into the mud. And the Janissaries, who were opposed to all things new, were able to posture, shouting, "We don't need the new weapons, our scimitars and pistols can do the job!" This attitude made us dependent on the West even in the military field. Our army came under the tutelage first of the French -- during the reigns of Mustafa III and Selim III, then Germans after France's defeat in 1870, Westerners between the wars, then American and now NATO. Even then it could not modernize properly. If you depend on the foreigner for your modernization you could do it to the extent that suits him.

What is really needed is to keep our eyes firmly fixed on the methods that are behind the success of the West, and to reorient ourselves accordingly. We will watch how far our backward slide takes us while we keep waiting for that moment to arrive.

12466

CSO: 3554/34

## PILGRIMS COMPLAIN ABOUT HAJ CONDITIONS

Istanbul TERCUMAN in Turkish 11 Sep 86 p 3

[Text] Pilgrims, particularly those who flew to Saudi Arabia, complained about shortcomings encountered during the trip. Their complaints have been brought to the attention of the Department of Religious Affairs (DRA). "Pilgrims in future should not encounter the difficulties we faced," they said.

Visiting TERCUMAN on behalf of their travel companions, pilgrims told us about the things that went wrong during the trip. One of Islam's five conditions, the haj should be performed in a precise and thorough manner, pilgrims said. But some of the officials assigned by the DRA had failed to fulfill their duties. Here is how the pilgrims described the shortcomings they wish to see corrected:

Particularly those who took the plane encountered many difficulties in Saudi Arabia. Certain religious functionaries who were supposed to act as group leaders were seen once upon arrival, and another time during the return journey. Everyone in those groups had to fend for themselves. Our travel and lodging arrangements were made by a student in our group who was a relative of an official, and many things went wrong. We were allocated 4 buses instead of the 5 promised. Consequently some of us had to travel unseated. Despite the contract there was no airconditioning in the buses. We had to sleep in 8 square meter, windowless rooms without ventilation, 8 of us packed together. The youth who was left in charge used insulting language to us. Buses were not provided between the Terminus-Arafat and Muzdalifa-Mina routes which obliged us to walk for 70-80 minutes and over 2 hours, respectively. If we consider the heat, and that most of the pilgrims were over 60, the situation might be better understood. There were even injuries. A female pilgrim fell during one of these marches and had to have stitches on her knees. In Mina, at the place of Stoning the Devil, the farthest tents had been allocated to the Turks. That also needs to be corrected. Then there were problems with places designated for women to perform their ablu-

tions. Our women took their ablutions almost out in the open. These places should conform to the Islamic custom of modesty and covering the female body from public gaze.

Demanding that group leaders should be selected with particular care by the DRA, pilgrims were particularly emphatic about Haki Demir, the mufti of Fatih, who they said should never be assigned to haj duty again.

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CSO: 3554/34

## FAMILY SAID WEAKENED BY OUTWARD ORIENTATION

Ankara YANKI in Turkish 23-29 Jun 86 p 30

[Commentary by Selahattin Kaya, mufti of Istanbul]

[Text] Our family tradition has strong roots in Turkish-Islamic culture, and is based on solid foundations. Today, however, this strong structure and the rooted tradition is undergoing changes.

Islam has always attached great importance to family structure. In the Koranic sura of Isra, love and respect for one's parents is explicitly mentioned. In Islam, duties of every member of the family are specified. Principles designed to sustain the family without turbulence through the many stages of life can be found in the Koran. The prophet declares that the greatest sin, after challenging God's supreme authority, is rebelling against one's parents, followed by taking the oath under false pretences. Our Prophet has also declared that the greatest virtue, after promoting the cause of God through Jihad, is to do good for one's parents.

Given all this, current developments are quite worrisome. Turkish people are in the throes of a transformation largely due to the migration to urban centers, and the opening up to foreign countries and influences. During the times when the Anatolian peasant lived in his village with his family, he was able to stick to Islamic and Turkish customs and traditions. The family stayed together under the authority and protection of the father.

With the opening to the outside, brought on by various circumstances, and the subsequent urban influences family ties started to weaken. Then came the opening to the wider world which brought further changes in the family structure. The family began to give way under the strain, many of its members going their separate ways. Meanwhile, schools, the media, foreign films and books were instrumental in changing the structure of the family.

If the family's present disjointed state is not reconstituted one way or the other -- through national education or other social regulatory institutions -- I am afraid the future looks quite bleak. But I maintain my faith in the solidity of our foundations, that the necessary repairs can be made and further dislocation be prevented.

#### Mutual Responsibility

Though changes have been negative on the whole, there are certain positive elements in them. For instance, children are being relieved from parental pressures, exercising their personal initiative in their line of work, and establishing their own family units. These may be viewed as positive developments. What worries me most is that young people would be breaking away from customs and traditions, Islamic traditions, and from standards of morality when they cut loose from their families. They also run the danger of being attracted by the European way of life.

In Islam, relations between spouses are governed by solid legal principles. Man carries responsibilities toward woman and vice versa. Every effort is geared to making the family flourish through the support of its members and the mutual love and respect they have for each other. Koran is very protective of the rights of women. In Islam, women are certainly not relegated to the background, or to second class status. Whatever might have occurred in the past could be due to local customs which are certainly not binding to fundamental Koranic principles. Islam favors an orderly household where authority is exercised by the father.

#### Issue of Polygamy

In Islam, marrying more than one woman is contingent upon certain conditions and causes. Is it possible to be married to more than one woman these days and still maintain the fairness that Koran so explicitly demands? I myself have doubts whether there are men foolhardy enough to take on the challenge.

To prevent the erosion of the family we need to mobilize all state institutions. It is necessary to bring about social justice, supplement the incomes of families who cannot make ends meet and open up new areas of employment. I am hopeful that these will all come to pass.

12466  
CSO: 3554/34

## UNIONS, WORKS COUNCILS DIFFERENCES COMPLICATE WORKWEEK

## Competition Drives Production Scheduling

Hamburg DIE ZEIT in German 7 Nov 86 p 25

[Article by Wolfgang Gehrmann: "Battle Over Sunday Peace and Quiet"]

[Text] They have hardly turned their backs on the newly built factory hall, brightly bathed in flood lights, and passed the big sign "Smoking Beyond this Point Absolutely Prohibited" on the factory gates out front, before they start flicking their lighters. For the length of time it takes to smoke a cigarette, the first one after 8 hours of nightshift, the Siemens employees remain standing around together at 6 am in the dark factory parking lot. It is easy to get them talking, and a group of at least 20 quickly forms.

Sunday work? Their opinion about it is unanimous. "Sure, we're for it" one says for all of them, "because Sundays you have your peace and quiet in the plant. We're by ourselves, no engineers constantly sticking their noses into things." More money as well, of course, because of Sunday supplement. "And more free time" says another, "I like it."

The men have just completed the fifth of six consecutive nightshifts. Tomorrow another night's work, then they will have 4 days off. Their work cycle conforms to the constraints of maintaining the highly technical production of microchips in Siemen's semiconductor plant in Regensburg on a 7-day-per-week, around-the-clock basis. They and their approximately 300 colleagues of the other four shift groups must therefore regularly work Sundays as well--and they are avowedly for it.

The gentlemen on the board of directors of Germany's largest electrical firm like to hear about such happiness on the part of the people. Since weekend work, generally rather unpopular with employees, has been under way without a hitch in Regensburg for 4 months, Siemens now wants to invite the personnel in two chip-producing operations at the firm's headquarters in Munich to some Sunday work. The managers' wish is leading to serious conflict with the unions--and that is no surprise.

The next round of wage negotiations is around the corner. Some 2 weeks ago at the union convention in Hamburg, the newly-chosen boss of the powerful IG Metall labor union, Franz Steinkuehler, announced those contract terms for



which he wants to bargain from the employers next spring, if possible, more flexible working hours which are more suited to factory requirements: a 35-hour week with full wages, a maximum of 8 hours regular work per day, and preservation of the free weekend.

True to the union line, the IG Metall representatives in the concerned Siemens factories in Munich therefore refused to conclude a factory agreement on Sunday work. They are not alone.

In Munich-Perlach--Siemens is developing its newest microchips there and wants to keep its test equipment running continuously--IG Metall accounts for 11 of the 31 works council members. The seven works council members of the German Salaried Employees' Union [DAG] also say "Sunday work? No, thanks." And even the 13 independent employee representatives, who otherwise tend to be rather conciliatory towards factory management, would rather not work on the weekend.

Even persons not connected with the firm came to the aid of the alliance for the sacrosanct 7th weekday. The Catholic Workers' Movement cited the Third Commandment: "Thou shalt keep holy the Lord's Day." Greens and Social Democrats introduced an emergency motion in the Bavarian Landtag demanding that the labor ministry deny Siemens the necessary certificate of non-objection which is required for the approval of Sunday work.

The former Minister for Labor and Social Affairs Otto Graf Lambsdorff is fighting the battle for Sunday at Siemens in spirit. When he returned in 1980 from a flying visit to Japan, where he got to know Far Eastern factory workers' employment, which is hardly protected by labor union activity, he angered domestic workers with the gruff demand: "We have to work more again." Otherwise, the competition with Japan cannot be won.

Since then, employers have been tenaciously attempting to negotiate new working hour schedules from the unions which permit longer operating times for expensive factory equipment--weekends, for example. Hardly a production process is more suited for this dispute than chip production at Siemens.

Within just a few years electronic circuit elements have become key products of industrial society. The ability to produce microchips of the highest performance as inexpensively as possible is important for the economic future of entire national economies.

#### Murderous Competition

Every 4 years there was a new generation of memory chips whose performance exceeded that of its predecessor by a factor of four. At present, the latest memory elements are the 1-megabit chips. They store on a surface of only 54 square millimeters the contents of 64 typewritten pages.

Siemens was so decisively defeated by the Japanese in the development of these components that the Munich managers, unnerved, last year abandoned their own highly subsidized research project. But the Germans at least want to be included in the marketing of the supercomponents. That is why, together with

Philips, they are carrying out their Mega-Project in which they are producing 1-megabit chips under license from the Japanese manufacturer Toshiba, and are developing the next component generation, the 4-megabit chip.

But worldwide surplus capacity for memory elements is ensuring a frantic drop in price and murderous competition. The predecessor of the megachip, the 256-kilobit chip, needed only 3 years to drop in price from over DM100 to only DM5. The same fate is threatening the megachip. In this market, therefore, only he has a chance who vigorously exploits all rationalization reserves in the manufacturing process.

But the resulting technical-economic constraints are overtaxing the traditional code which regulates the working hours in German factories. Fear of the Japanese and factory management considerations are completely alien to the good old German industrial code--which establishes the conditions for Sunday work.

It allows, to be sure, all sorts of exceptions for technical reasons for the breach of peace and quiet on the day of rest: Blast furnaces and chemical installations may operate the entire weekend as well as factories which "operate primarily with machinery powered by the wind or irregular water power." Public houses may stay open and the Federal German Railway may run because they are necessary" on Sundays and holidays for the fulfillment of the populace's daily requirements or those especially prevalent on such days." For the present, however, the industrial code is not amenable to employers' desires to reduce operating costs and increase their competitive strength by permanently operating installations.

Thus, the question of whether mere economic considerations or the inevitable constraints of technology require uninterrupted chip production is becoming the bone of contention between the Siemens managers and the unions.

### Constraints of Technology

For Hans Friedrich, the director of the Mega-Project at Siemens, the technical constraints are beyond doubt: "The working processes in chip production take place on the edge of the physically possible." To shut the installations down on the Lord's Day would mean to be able to produce, in a long shutdown and warmup phase, only scrap for the most part. By leaving half-finished chips lying over the weekend, they would alter their characteristics. At present, no more than 10 percent of the chips produced in Regensburg are usable. It will allegedly take months of fine tuning to increase the yield to perhaps 60 or 70 percent and thereby to attain competitive costs. Longer work interruptions would make this impossible.

The 19 works council members in the Regensburg works--all of them are members of IG Metall--were convinced by these arguments at the beginning of the year. They therefore unanimously approved a factory agreement which permits Sunday work to the end of 1987. Because it has the blessing of the trade supervisory office, it violates the prevailing wage contract, which only makes provision for work on the weekdays.

Guenter Wittstock, the chairman of the works council: "It was not an easy thing for us and we debated it night after night. If someone can prove to us that it is technically possible to produce the chips without 7-day-per-week continuous operations, then we will bail out of the factory agreement." After brief reflection he adds: "But presumably the work force would not want that at all. Oh well, the works councilman does not do what the work force wants, but what is good for the work force."

The constraint of technology is not the only argument which convinced the Regensburg IG Metall members. At the beginning of the 1970's 4,800 people still worked at their Siemens works. There were only 1,750 some 10 years later. Wittstock: "We needed jobs." The Mega-Project has brought 820 new jobs to Regensburg.

Just the Vanguard?

For all the 300 Sunday workers--all of them are just 20 years old, many unmarried and without family dependants--a position with extra-paid weekend work is preferable to no work at all. One of the night workers puts it succinctly: "You don't have a big choice today. Technically it just cannot be done any other way. Of course we don't understand it. We have to take company management's and the works council's word for it. And IG Metall--I'm a member of it, but I don't care what IG Metall says."

The Regensburg renegades are therefore not held in high esteem by their colleagues in Munich. "Of course" says Gertraud Zintl, IG Metall works councilwoman in Perlach, "on the one hand I can personally sympathize with the colleagues who want jobs. But, on the other, they have not seen what it means for the organization as far as policy goes. Regensburg--that is now being peddled throughout the whole company as a model."

In Munich, however, where Siemens now also wants to make Sunday a workday, there are no unemployed waiting in line who want a job at any price. Indeed there the employees of the development department are supposed to trade their employment, which to date has been free on the weekends, for a shift system with Sunday work. Some 100, perhaps 200 would be affected by this, says Mega boss Friedrich. IG Metall works councilman Rene Kaufmann opines however: "If that gets going, thousands can rapidly be inclined."

Local union functionaries suspect that Siemens, as the leading enterprise in the Bavarian Metal Industry Employers' Association, is to be the vanguard in the attack on the free Sunday. Harald Flassbeck, second deputy of IG Metall Munich, says categorically: "IG Metall will not permit Siemens AG to take the lead in carrying out the creeping dismantling of the free weekend and bringing in Sunday work through the backdoor with untenable justifications."

Instead of engaging in the exciting debate as to whether there could be good economic reasons for Sunday work in the interests of the workers as well, the IG Metall people are insisting on the somewhat antiquated legal position of the industrial code: Sunday work only because of technical constraints or for service to the customer.

IG Metall works councilman Rene Kaufmann does not want to let the argument stand that it is impossible to produce chips with a Sunday interruption. Inadequate output with production interrupted on the weekend is, after all, not a technical but an economic argument.

In addition, Siemens competitors would produce comparable chips without Sunday work. IG Metall Secretary Matthias Sommerfeld: "We know through the International Metal Workers' Federation that the Japanese licensor Toshiba manufactures megachips in Kawasaki with Sunday pauses. And the works council members at IBM in Sindelfingen tell us that they do the same as the colleagues at Siemens--without Sunday work."

#### Economy Versus Free Time

An IBM spokesman comments, however: "It is correct that for the time being we are still producing without Sunday work. For the long term, however, we do not exclude it for the optimization of manufacturing processes." And Toshiba in Japan is far away.

The unions are by no means blind to the managers' economic arguments. In a pamphlet, the DAG supports IG Metall's position that Siemens' demand for an improvement in its competitive position vis-a-vis the Japanese is certainly legitimate--however: "We compare this to the public interest in Sunday and holiday peace and quiet. The social and cultural life in our country is so ordered that people are available for this life in the evening and on weekends. Whoever cannot regularly participate in it, is very quickly isolated."

Without question that sounds reasonable. And what occurs to Mega manager Friedrich in regard to the Sunday work dispute sounds heartless in comparison: "Perhaps we can indeed produce uninterruptedly over the weekend without the people having to come on Saturday and Sunday--namely then, when we have to a great extent automated. Only then no one will probably have to come anymore on Thursday and Friday either."

#### Metalworkers List 'Flexibility' Demands

Duesseldorf HANDELSBLATT in German 29 Oct 86 p 5

[Article by df: "Flexi-Time Models Are Not to Be Prohibited"]

[Text] Duesseldorf, 28 Oct--The high-point of the IG Metall union convention in Hamburg, not counting the personnel policy drama surrounding Hans Janssen and the staging of the Lappas arrest, was definitely the debate surrounding the submission of resolutions on future wage policy. At issue was the question of whether the demanded reduction in working hours per week could also occur under the provisions of a flexible work schedule. Not surprisingly, the flexi-policy won out within IG Metall after Janssen threw in the towel.

After hours of discussion the delegates passed resolution 12, which, summarized, contains the following:

--At the lower wage and salary levels above-average improvements are to be implemented. For the purpose of equalizing wage-earners and salaried workers, a fixed monthly compensation is to be implemented for all employees within the framework of common wage contracts. IG Metall is striving for an increase in supplementary vacation pay and the contractual guaranteeing of a full 13th month's wage payment.

--IG Metall wants the 35-hour workweek with full pay. "In response to the employers' proposals for greater flexibility, we propound the value of collectively regulated working hours and normal contractual labor relations for the creation of working conditions, for the collective representation of the interests of the workers, and for the living conditions of an entire society.

--"Working hours as a part of the normal contractual labor relationship, as a claim on behalf of the individual worker, are to be again definitely regulated within the wage contract. New kinds of working schedules and arrangements may not negate these results--that is, in particular--have no negative effects on the employment position; not lead to additional burdens; and not lead to a deterioration in the situation in regard to free time. Moreover, they may not reduce workers' compensation or the rights of the works councils or undermine the defining function of wage contracts; and, lastly, must be accepted by the parties concerned.

--"In terms of these principles, it is a matter of defending and safeguarding the free weekend (Saturday and Sunday), the 5-day week (Monday to Friday) and the 8-hour day as the maximum daily working hours."

--To prevent overtime work from resulting in negative effects on employment and degrading working conditions, it is demanded that there be a further limitation of overtime and free time compensation after the first hour of overtime within a fixed time period and the discretionary payout of wage premiums with time off.

--Part-time work is to be delimited as much as possible and above all a reduction in the extent of employment by the conversion of full-time jobs to part-time ones is to be prevented. To put a stop to unregulated and unguaranteed labor relations for part-time work, it is demanded that part-time jobs be established and the labor relationships for part-time workers be regulated within the framework of prevailing contractual wage regulations and only with the approval of the works council; establishment of part-time jobs only in the form of activities subject to social security taxes and with fixed daily working hours and a fixed number of workdays per week (no variable working hours).

--Additional paid time off for working hours and working conditions inimical to health and social life. Wage guarantees, retraining, and the offer of reasonable jobs when transferring from shift work to regular working hours.

--New and collective labor contracts regarding job classification and compensation for all employees. Unjustified differences, e.g. between workers and salaried employees, and inappropriate pay relationships are to be eliminated. The creation of work regimes and fields with content which challenges and advances workers' skills. The classification of the worker on the basis of his qualifications. The creation of work regimes and fields and their assignment to wage categories by parity commissions.

--For the on-going advanced training of employees IG Metall calls for requiring employers to make paid on-going training possible for all employees and to compensate it as work time. Training time is work time and not a substitute for reducing working hours; the linkage of existing qualifications with classification and attendant compensation; establishment of minimum working hours as well as the structuring of the work regime with the goal of counteracting job specialization; implementing claims for advanced training and the content of such training by parity commissions for advanced training in connection with paragraphs 96 through 98 of the Labor Management Act.

--A minimum recuperation time of 6 minutes and a personal time of 3 minutes per hour should be contractually agreed upon--for nightshifts, 12 and 6 minutes respectively. Arrangements are to be sought for the shutdown of machinery and lines during the recuperation times.

This resolution number 12 was passed after a supplementary motion (number 14), which contained the provision that "factory operating time is to be limited to a maximum of 40 hours during the day (an equivalent stipulation for shift work), and to further regulate shift work with the aim of reducing it," had been considered in hours-long debate. The petitions commission issued the binding recommendation that this supplementary motion be treated as documentation for resolution 12; i.e., that it not be made a formal resolution of the union convention. The majority of delegates acceded to this recommendation.

Most of the delegates whospoke up and who belonged to the now leaderless "Janssen Brigade" advocated the adoption of this supplementary motion as a resolution and thus the establishment of factory operating times in resolution 12. The arguments which were brought to bear here against a decoupling of working hours and factory operating time were essentially the following:

--The employers desired an expansion of factory operating time by several hours and thus the introduction of a "creeping shift work." The increase of operating time in a factory by 4 hours per day, for example, also means, as measured against an 8-hour day, an expansion of production by 50 percent. If such an increase in flexibility were to set a precedent, disastrous competition would develop in the metal industry. The number of jobs which would be created by more shifts or by extended factory operating times in some enterprises would be considerably fewer than the number of jobs which would be lost in other enterprises. On the contrary, the necessity of utilizing additional machinery when factory operating times and working hours are coupled creates jobs. As long as the factory operating times are not stipulated in the wage contracts the employers have the possibility of expanding production without capacity expansion investments. This rejection of investments is also harmful for the national economy.

--"What kind of a problem do we really have here? We have a problem of overproduction! And how do we check the problem of overproduction? We produce too many automobiles, ships, and refrigerators, and we produce too much beer. Thus, if the Jever factory extends the running time of its machinery--producing more beer--then not even the colleagues from Bavaria can drink enough to make a difference. The important thing is that we try to reduce working hours at all levels and that we try to trip up the employer when he wishes to match people's work time to that of machines."

--If the wage contract opens up the possibility of greater flexibility and in return gives the works councils regulatory authority through factory agreements, then it is almost hopeless for the works councils to put up resistance to the employers' job-hostile flexi-time policy since it is the object of any increase in flexibility to increase productivity, and increased productivity destroys the effects on jobs of reduced working hours. Even at the time of the Leber Compromise for the 38.5-hour workweek, it turned out that many factory agreements were job-neutral as a result of the increased flexibility demanded by the employer.

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## SKDL EXECUTIVE COMMITTEE RECOMMENDATIONS TO GOVERNMENT

Helsinki HELSINGIN SANOMAT in Finnish 6 Nov 86 pp 1, 6

[Unsigned lead article: "There Has Already Been Enough Empty Talk From the Government: The SKDL Presents Employment Management as Its Main Concern"]

[Text] The SKDL Executive Committee stated yesterday that the Government's management of employment had been empty talk and on the other hand throwing money to private companies and demanding moderation from wage earners.

The SKDL Executive Committee presented employment management and the elimination of unemployment as the primary goal of the country's economic and social policy.

As a practical measure the Executive Committee mentioned among other things a radical shortening of the work week first to 35 hours and in the next decade to 30 hours. The Executive Committee also demanded that the age limit for receiving an unemployment pension be set permanently at 55 and that trade between Finland and the Soviet Union be kept at the present high level.

The Executive Committee discussed thoroughly the problem of unemployment and displaced people on the basis of Doctor of Political Science Kari Vahatalo's position paper.

Vahatalo pointed out among other things that the passiveness of young workers indicated that at this moment they did not really have a political home. The labor movement and especially the trade union movement are felt to be movements of rather well-to-do and mostly middle-aged male workers.

SKDL to the Government of the Country:

Primary Attention to the Unemployed and Those Displaced from Economic Life

The Government's prescriptions for managing employment have been of two kinds: on the one hand empty words and worried brow knitting in public and on the other hand throwing economic support to private companies and calling for moderation from wage earners, the SKDL Executive Committee stated in its meeting on Wednesday.

The leaders of the country's three large parties, SDP [Social Democratic Party], Conservative Party and Center Party, talk about the distribution of



power among themselves after the Diet elections just as if there were no other problems, the SKDL Executive Committee pointed out with regard to the indifference of those wielding power.

At present 200,000 Finns owe their living to unemployment support - including unemployment pensioners, and this number is continuing to grow, the Executive Committee warned. At the same time the number of long-term unemployed who are displaced from economic life within the group of unemployed persons is growing. The publication of the government program for reducing long-term unemployment does not appear to have any merit. Raising the age limit for the unemployment pension in particular has increased long-term unemployment.

On the other hand the government's demands for moderation and its support of the companies have led according to the SKDL Executive Committee to other results: If the companies paid wages in the same relation to national income and taxes in the same relation to state tax revenues as in 1976, they would pay nearly 15 billion marks more than now. And how many jobs have been created by this policy? The results are truly poor. The number employed in the private sector is namely the same as in the years 1974-75.

The whole increase in the number of persons employed has occurred in the public sector. Thus it is inconceivable why the government of the country is trying to slow down the growth of the very sector that is providing jobs and to make the situation of public employers and local governments more difficult in comparison with the private sector.

#### Changing the Work Week to 35 Hours

The SKDL Executive Committee unambiguously presented enhancing the management of employment as the primary objective of the country's economic and social policy. To reduce unemployment substantially the following measures should be undertaken immediately:

- 1) To ensure employment over the long term a radical program of reducing working hours should be undertaken in accordance with which there would be a shift to a 35 hour work week in the first stage and to a 30 hour week in the next decade.
- 2) The age limit for the unemployment pension should be set permanently at 55 years.
- 3) Every possibility is to be used to maintain trade between Finland and the Soviet Union at its current high level and to develop new forms of economic cooperation.
- 4) The buying power of low and middle income wage earners especially should be increased. Such an increase in consumer demand will best contribute to economic development and improve employment.
- 5) The policy in accordance with which companies and rich citizens are continually granted new benefits should be abandoned. On the contrary, the

emphasis in taxation should be shifted in such a way that incomes that are not based on labor are taxed at least the same as labor incomes, while at the same time the taxation of the lowest labor incomes is mitigated.

6) The resources of society should be directed clearly towards the development of public services. In these areas there is a great deal of work that is not being done, and employment opportunities are of a completely different class than in the private sector. The economic opportunities for developing services and maintaining employment should be ensured for the local governments.

7) The weakening of the position of the public sector employer compared to that of the private employer should be abandoned, and employer social security payments should be brought to the same level, regardless of whether the private or public sector is involved.

#### From Aid to the Poor to a Livelihood Worthy of a Human Being

Since these measures are not direct in their effects and since unemployment cannot be completely eliminated in a capitalist market economy, efforts should be made at the same time to combat effectively the detrimental social effects of unemployment, the SKDL Executive Committee demanded.

One of the principles of a constitutional state is taking care of society's have-nots. In present-day society it cannot be based on the notion of tutelage and aid to the poor; rather the unemployed and other groups displaced from productive activity by capitalism must be ensured a standard of living worthy of a human being without humiliating tutelage and surveillance.

The SKDL demands that the tying of social welfare to income be mitigated in maternal, health and unemployment benefits. This can be accomplished most naturally by raising the starting level of basic support schedules and by increasing the compensation level of earnings-tied social security schedules in the lowest income classes.

All in all the SKDL demands for citizens the basic right to reasonable basic support covering all of life's basic risks. This basic level of basic support schedules, income support and social welfare income support should be guaranteed to the citizens. The right of social welfare, housing, manpower and other officials to reduce this support or eliminate it periodically should clearly be restricted and in the long term those relics of the old poor relief that are humiliating to the have-nots should be eliminated.

Photo caption: In addition to unemployment the SKDL executive committee was briefed on taxation on which editor Esko Sappanen presented a paper. The position on taxation will be made public at the end of the week. In the left front is Doctor Kari Vahatalo, who presented the paper on unemployment.

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## DETAILS OF 1987 BUDGET TEXT PUBLISHED

Athens I KATHIMERINI in Greek 28 Nov 86 pp 7-8

[Text] Yesterday Finance Minister Dim. Tsovolas introduced to the Chamber of Deputies [Vouli] the 1987 General State Budget [GPK]. The cover report states the following, in part:

The 1987 budget coincides with the second year of implementation of the stabilization program the government announced in October 1985 which aims at a swifter turn of economic developments toward a desirable evolution of the economy. The success of the objectives which were set for 1986 with the introduction of the corresponding budget also presumes the success of the 1987 objectives.

Despite the expected application during 1987 of a restrictive fiscal policy for fulfilling the objectives of the stabilization program and under pressure of the need for the success of these objectives--a need which allows no margins for other choices--the government has again decided to strengthen, through the 1987 budget, the lower-income classes so that distribution of the burdens of the stabilization program will be more equitable.

This will be achieved through substantial tax deductions which will go into effect in 1987 for wage and salary earners and pensioners. These deductions, which include a separate tax scale with reduced rates for pensioners and wage and salary earners, were introduced in order to offset the income loss suffered by these taxpayers as a result of the income policy incorporated in the stabilization program.

This method of restoring income of the working people, instead of granting greater nominal increases, was approved because it does not affect the cost of goods and therefore their competitiveness.

Thus, in 1987 the maximum amount of income reduction from wages, salaries and pensions is increased from 300,000 drachmas to 340,000 (a 13.3 percent increase). A new tax scale is instituted for workers, employees and pensioners with reduced scales a) by 4 percentage points for declared income up to 325,000 drachmas (or 665,000 drachmas if the income reduction of 340,000 is added), b) by 3 percentage points for declared incomes from 325,000 to 395,000 drachmas (or from 665,001 to 735,000 if the income reduction of 340,000 is added), and c) by 2 percentage points for incomes from 735,001 drachmas and over, together with reduction of 340,000 drachmas. A readjustment is also made to the tax scales.

The establishment of reduced income tax rates for workers, employees and pensioners constitutes the beginning of a new tax policy for a gradual reduction of the income tax rates for all taxpayers depending on their status.

For heads of large families and disabled, the amount of rent allowance from income is increased as are also tax credits (by about 15 percent). Finally, the exempted limit for dividends and assistance pensioners receive from the Pension and Relief Fund is increased from 6,000 to 7,000 drachmas per month (a 16.7 percent increase).

Under the above 1987 arrangements, the untaxed limit of net income of a married worker or employee with a non-working wife and two children, will rise from 725,500 drachmas in 1986 to 829,000 drachmas, while gross income will increase to about 964,000 drachmas (1986: 843,000 drachmas). It will increase, that is, by 14.3 percent and will thus more than cover the estimated inflation.

For a single worker or employee, the non-taxed limit of net income reaches about 341,000 drachmas compared to 288,000 drachmas in 1986. Gross income increases to 369,900 from 334,800 drachmas in 1986 (an increase of 18.5 percent). It should be noted that the above amounts become much larger if one adds reductions for rent, infant care stations, etc., which are in force today.

As of 1 January 1987 the Added Value Tax [FPA] will go into effect. This tax will have a number of favorable effects on rationalization of the indirect taxation system and on the economy in general. It will also effectively reduce tax evasion.

An exception to the restrictive policy in the expenditures sector will be the increase in outlays for health, welfare and social security in order to also continue in 1987 improvement of social services rendered to the people. Thus, in 1987 a total of 367.1 billion drachmas will be made available from the General Budget for such services compared to 278 billion in 1986 (a 32 percent increase). This amount does not include 57 billion drachmas the Social Insurance Foundation [IKA] contributes annually. Thus, the government makes good one more of its promises.

The policy of administrative and economic decentralization will also continue in 1987 by transferring to nomarchies increased credits which will reach 154.2 billion drachmas and cover about 7 percent of the total Regular Budget credits.

In the sector of Public Investments, another step will be taken in 1987 toward the quantitative and qualitative improvement in the investment outlay structure with an aim at reducing to a minimum or even eliminating completely those costs which do not represent productive projects.

Thus, out of total outlays of 364 billion drachmas for the 1987 Public Investments Program, 94 percent (compared to 90.6 percent in 1986) represents

expenses for projects and studies and only 6 percent (compared to 9.4 in 1986) represents administrative expenses. This development very clearly shows the character the planning of the PDE outlays is assuming.

As was pointed out earlier, with the 1987 budget it submitted to the Vouli, the government aims at achieving objectives of the stabilization program which places the economy in an orbit of steady economic progress. It is certain that with improvement of the economy's efficiency as a result of the stabilization program and fulfillment of the structural changes which will alter the correlation between cost and efficiency strengthened by the 1987 PDE, the economy will restore its productivity and competitiveness in today's international economic environment.

The 1986 economic developments in the world economy--even though not sensational and in some cases, too early to assess thoroughly--leave margins for a positive assessment of prospects for 1987. Thus, weakening of inflationary pressures, coupled with the recovery in production, led to an increase of real available income in 1986 as well as increases of private consumption which was a basic propelling factor in the economic activities of the OECD country-members.

On the other hand, the inflation slowdown contributed to the lowering of interest rates and provided the possibility for speeding the rate of recovery. However, the results of the fiscal policy introduced in various countries are less apparent, especially in the U.S.A., where a serious effort was made to cut the public deficit. But, despite an increase in domestic demand, the drop in exports of the OECD countries to other countries was responsible for the failure in achieving the targeted increase in the Gross National Product [AEP] for 1986 (3 percent). For 1987, a small AEP increase, which will fluctuate around 3 percent, is anticipated.

Developments in the world economy in 1986 also define to a considerable extent developments in the Greek economy. At the same time, however, these developments were influenced by adoption of the stabilization program in our country which aims at a swifter adjustment of the parameters to the needs and conditions dictated by a faster restoration of the economy's competitiveness.

Thus, preliminary data show that in 1987 the AEP will increase at constant prices by 0.4-0.6 percent as a result of the increase of products in the agricultural and service sectors, while that of the secondary sectors will remain almost stagnant.

With application of the stabilization program, inflation in 1986 dropped considerably and is expected to be only slightly higher than the original target of 1,700 million dollars.

In general, it is agreed that all targets of the 1986 program have been achieved. The government will continue and will complete the stabilization

program and the 1987 budget will contribute to the success of this effort and will decrease the loan needs by 4 percentage points of the AEP.

#### General Budget

The total magnitude of the 1987 General State Budget [GPK] is as follows:

	1986	1987	Change
	Estimated Revenue	Anticipated	%
	(in million drachmas)		
<u>Income</u>	<u>1,675,506</u>	<u>2,072,000</u>	<u>23.7</u>
Regular Budget	1,475,000	1,840,000	24.8
ELEGEP 1/	165,000	182,000	10.3
PDE 2/	15,506	50,000	40.8
<u>Expenses</u>	<u>2,310,300</u>	<u>2,740,000</u>	<u>18.6</u>
Regular Budget	1,835,000	2,194,000	19.6
ELEGEP	165,000	182,000	10.3
PDE	310,300	364,000	17.3
<u>Deficit</u>	<u>634,794</u>	<u>668,000</u>	<u>5.2</u>
Regular Budget	360,000	354,000	1.7
ELEGEP	--	--	--
PDE	274,794	314,000	14.3
GPK Deficit Compared to AEP (%)	11.7	1.0	

1/ As published.

2/ Public Investments Program

The 1987 GPK deficit is expected to reach 668 billion drachmas compared to 634.8 billion in 1986. The small difference from 1986 is due to the additional subsidy to IKA and other agencies within the framework of the rehabilitation policy the government will implement in 1987, especially for [ailing] Public Enterprises and Organizations [DEKO]. The main revenue sources and expenses by categories are shown in the following table:

# Main Revenue Sources of the GPK

	1986	1987	Change
	Estimated Revenue	Anticipated	%
	(in million drachmas)		
1. Ordinary Budget	1,475,000	1,840,000	24.8
<u>Direct Taxes</u>	<u>398,930</u>	<u>492,400</u>	<u>23.4</u>
Income Taxes	297,850	356,430	19.7
Property Taxes	18,300	23,800	30.1
Other Direct Taxes	82,780	112,170	35.5
<u>Indirect Taxes</u>	<u>969,860</u>	<u>1,215,700</u>	<u>25.4</u>
Duties & Special			
Conditions	18,690	20,970	12.2
Imported Consumer Goods	116,150	82,200	-29.2
Domestic Consumer Goods	458,170	360,160	-21.4
Taxes on Transactions	355,650	725,220	103.9
Other Taxes	21,200	27,150	-8.1
Non-taxed Income	<u>106,210</u>	<u>131,900</u>	<u>24.2</u>
2. PDE	35,306	50,000	40.3
3. ELEGE*	163,000	182,000	10.4
Total	1,675,506	2,072,060	23.7

\* As published

## Ordinary Budget

It is anticipated that in 1987 the deficit of the Regular Budget will decrease at current prices by 1.7 percent within the framework of the stabilization program. This decrease is smaller if we take into consideration the recent additional 55 billion drachma coverage by the Ordinary Budget of DEKO deficits (IKA: 50 billion; other agencies: 5 billion drachmas). It is anticipated that as an AEP percentage, the deficit of the Ordinary Budget in 1987 will decrease to 5.8 percent from 6.6 percent in 1986.

For achieving the objectives of the stabilization program, to decrease, that is, the deficit, the government is again directing its effort to restricting at low levels the increase rate of the Regular Budget expenses and reducing consumer expenses. Thus, besides the outlays for serving the public debt, the Armed Forces debt and that for subsidies (which include IKA and other communication agencies), other expenses are increasing at about the same rate as the estimated rate for inflation.

But, in addition to the restrictive policy in the area of expenditures, in 1987 the government will also pay particular attention to the Health, Welfare and Social Security sectors so that social services will continue

to be available to the people. Besides keeping the outlays of the Ordinary Budget at low levels in order to reduce the deficit, the government will also direct its efforts toward increasing revenue.

But within the limited margins of the 1987 budget, the government decided to adopt significant income tax arrangements which aim at helping the taxpayers and especially the wage and salary earners and pensioners. These arrangements, with a special income tax scale for the working people, will offset the loss this category of tax sustains from the income policy incorporated in the stabilization program. This method of restoring income of the working people, instead of granting greater nominal increases, was approved because it does not affect the production cost and consequently the competitiveness of the products.

The 1987 tax policy is characterized by one most important step in the process of changing the tax system: the introduction as of 1 January 1987 of the Added Value Tax [FPA]. This tax will simplify and substantially improve the indirect taxation system. It will effectively contribute--together with other measures taken until now--to checking tax evasion. It constitutes a stimulating factor in changing and improving direct taxation and finally, contributes to controlling prices and inflation. The impact of FPA on revenue is expected to have a neutral result in relation to the taxes it replaces.

#### Revenue

It is anticipated that in 1987 the total Regular Budget revenue will reach 1,840 billion drachmas compared to 1,475 billion in 1986. It will increase, that is, by 24.8 percent. It is estimated that of this amount, 1,709 billion (an increase of 15.9 percent) will come from normal development of revenue and about 20 billion from EEC refunds for non-owed FPA payments in 1986. The remaining 111 billion drachmas will come from various measures and adjustments which will go into effect in 1987.

More specifically, it is expected that an additional amount--15 billion drachmas--will be collected from halting tax evasion and 16 billion from the settlement of pending tax cases. Also, 12 billion from the additional tobacco tax, 15 billion from extending the system of the objective determination of the value of real estate in all large cities of the country, and 28 billion from other tax settlements.

Finally, an amount of 25 billion drachmas was added which concerns expenses of the Kalamata earthquake program. The program will be implemented, if need be, in 1987 and all taxpayers--except pensioners and wage and salary earners--will contribute to it. More specifically:

It is estimated that direct taxes will increase by 23.4 percent and will reach 492.4 billion drachmas compared to the anticipated 398 billion in 1986. This increase will be the result of revenue from the decrease in tax evasion, broadening of the tax base and settlement of old tax cases.



Specifically, it is estimated that revenue from personal income tax will increase by 30.1 percent. This increase will come mainly from extension of the system for objective income determination and from readjustment of the existing pre-determined value of real estate. The revenue from taxes due from past years is estimated to increase by 19.2 billion drachmas. This increase will derive from settlement of pending tax cases following the ministerial decision for a better determination of taxable material of unsettled large tax cases.

Finally, revenue from other direct taxes is expected to increase by 30.3 percent and from special direct taxes by 21.6 percent.

It is anticipated that revenue from indirect taxes will increase by 25.4 percent and will reach 1,215.7 billion drachmas, compared to 969.9 billion in 1986. Besides normal development of indirect taxes and the increase of tobacco taxes, the aforementioned extension of the system and readjustment of the pre-determined value of real estate will also contribute to the increase of indirect taxes.

Specifically, revenue from taxes on domestic and imported consumer goods shows a decrease by 29.2 percent compared to 21.4 percent in 1986. However, this decrease is not real since part of this revenue was included in revenue from the FPA.

It should also be noted that part of the revenue from the tobacco and fuels tax has been replaced by the FPA. As a result, revenue from these categories appears decreased.

It is estimated that revenue from taxes from transactions will increase by 103.9 percent. This increase is the result of transferring part of consumer taxes to transaction taxes. It is noted that the FPA from revenue is equal to the abolished or partially absorbed consumer and transaction taxes. It is expected that income from the tax of capital transfer will increase by 67.5 percent because of extension of the system of pre-determined value of real estate and by 41.4 percent from unified special taxes.

On the contrary, income from the regulation tax will decrease by 19.5 percent because of the continuous decreases of this tax rate. The other taxes from exchanges include mainly special tax from bank transactions which replaced the turnover Tax [FKE] and the stamp tax on such transactions, which is equal to the abolished taxes.

Also, it is expected that revenue from indirect taxes from past financial years and from other indirect taxes will increase by 33.3 percent. This increase will be the result of settling old tax cases and halting tax evasion.

Finally, it is estimated that non-tax related revenue will increase by 24.2 percent. This increase is mainly due to the anticipated refund of income from EEC because of overpayments made in 1986.

#### Expenditures

Total expenditures in 1987 of the Ordinary Budget include reserves of 50 billion drachmas and will reach 2,194 billion or 359 billion (19.6 percent) more than in 1986. To limit expenditures to this figure, drastic cuts were made especially in flexible expenses, with an aim at reducing the Ordinary Budget deficit within the limits defined by the stabilization program. The only exception to these cuts was appropriations for health, welfare, and social security, which in 1987 are also maintained at high levels, the purpose being, of course, to offer improved welfare and relief services to the social whole.

Also, within the framework of administrative and economic decentralization, credits were transferred from the central services [in Athens] to the nomarchial budgets. The credits then transferred totaled 154.2 billion drachmas and represent about 7 percent of the total budget credits.

It is anticipated that appropriations for allowances and pensions will increase by 94 billion drachmas and reach 966 billion compared to 672 billion in 1986. The 14 percent increase is due to the effort to cover expenses from the 1987 income policy and to the difference arising annually from the Cost of Living Adjustment [ATA] from May to September 1986 and to the normal development of personnel.

Also, this increase is due to the new payroll arrangements for military and judicial personnel, to readjustment of military and judicial pensions which were not readjusted in 1986, and to the partial extension of the uniform payroll for civil servants to former politicians.

Expenses for the National Health System [ESY] physicians who were appointed in 1986, estimated on an annual basis, increase total personnel remuneration and pensions. The percentage for such an expense represents 34.9 percent of the total Ordinary Budget expenditures compared to 36.9 percent in 1986 and 38.2 percent in 1985.

The increase in expenditures for serving the public debt is due to serving the 250 billion 1981 loan, to the payment of interest due, and redemption installments of the 70 billion loan, which until 1986 was served by the 250 billion loan, to the increased payment of amortizations of foreign loans and finally, to the increase of the interest amount of interest-bearing bonds.

It should be noted that the amount needed for serving the 1987 public debt does not include a sum of 24.9 billion drachmas which is earmarked for paying off interest-bearing bonds, since this expense constitutes a renewal of these bonds within the same year.

The expense for refunding income collected for third parties is expected to be reduced by 3.3 percent. This is due to the fact that implementation of the FPA will start in 1987 with the result that the amounts collected mainly from stamp duties for accounts of the Farm Insurance Organization [OGA], Greek Tradesmen's and Craftsmen's Insurance Fund [TEVE], and the Merchants Insurance Fund [TAE], should be substituted by equal amounts from the Ordinary Budget because the FPA has replaced the stamp duty.

The decrease of refunds to EEC by 23.3 percent is due to the fact that when our 1986 contribution was estimated on the basis of FPA, the drachma-European Community Unit [ECU] parity was not taken into consideration following the 1985 devaluation and so 20.3 billion more was paid which will be returned to us. But for 1987 calculations have been made on the basis of the new parity and the expense is smaller.

The expense for refunding taxes in 1987 will decline and reach 39.2 billion compared to 46.2 billion in 1986. This decline is due to tax adjustments which were in force for 1986 incomes and also to elimination of the FKE and stamp duty (on exports) refunds following implementation of the FPA on 1 January 1987. The refund to exports through the FPA will also replace part of the export subsidies of N.E. 1574/70 and for this reason the export subsidies appear reduced compared to 1986.

It is expected that the Ordinary Budget subsidies to agriculture will be increased by 5.6 percent. the low percentage increase of these expenses is due, on the one hand, to the fact that deficits of the accounts of special administrations are kept at low levels and, on the other hand, to the fact that during 1986 there was an overrun of the pre-estimated subsidies.

Expenses for subsidies in 1987 will increase by 54.9 percent and reach 277.2 billion compared to 179 billion in 1986. This increase is due to the additional subsidies to OGA and IKA. The subsidy to OGA is increased because of the drop in the social resources it derived, together with the stamp duties which are now eliminated with introduction of FPA.

Thus, this drop in social resources will be covered by a direct subsidy from the Ordinary Budget. The 1987 subsidy to IKA will be 57 billion (compared to 6 billion in 1986) for covering part of its deficit which resulted from implementing the social policy (increase of pensions, allowances, etc.). Also, the subsidy increase is due to increased subsidies to the Organizations of Self-Government [OTA], the Railway Organization of Greece [OSE], the transportation organizations of Athens and Salonica, hospitals, institutions of social protection, and the Supreme Educational Institutions [AEI].

It should be noted that in 1987 OTA will receive a total of 40.6 billion from the Ordinary Budget. Of this amount 27 billion represents the regular subsidy.

Finally, the rest of the expenses, which include capital-related expenses and generally expenses for running public services, as well as the section of social expenses, are expected to increase by 12.8 percent. This category includes considerable sums of fixed expenses such as those for maintenance, repairs, equipment and supplies for the Armed Forces, rents for buildings for housing public services, etc.

In 1987, expenses of the Ministry of Education will increase by 22.5 billion or by 12.8 percent. This increase is mainly due to annual salaries of the 7,000 new educators who were hired in 1986. It is also due to increased expenses for transportation of pupils, distribution of free textbooks, the school lunch program, and finally, to increased subsidies to AEI and technical and vocational schools for improving conditions of their operation.

In 1987, expenses of the Ministry of Health, Welfare and Social Security will reach 367.1 billion or 32 percent more than in 1986. Thus, in 1987 also, despite the restrictive policy as concerns expenses of the Ordinary Budget, the government will continue for the sixth consecutive year putting the Health, Welfare and Social Security sectors on its priority list. It should be noted that these expenses also assure the unobstructed implementation of ESY's objectives.

#### New Measures

In its effort to support and reinforce income of workers, employees and pensioners so that the tax burden resulting from implementation of the stabilization program would be equitably distributed, the government will take, for the sixth continuous year, measures for providing tax relief to these categories of taxpayers.

Such an action shows that the government is trying to pursue, within the narrow margins implementation of the stabilization program allows, an equitable economic and tax policy so as to make the most of these margins for the benefit of the lower-income classes.

The decision to support and reinforce income of workers, employees and pensioners instead of further increasing their nominal incomes, was taken with one object in mind: to avoid affecting competitiveness of Greek products and of the economy in general. Thus, a continuity will exist in the effort to achieve the program's objectives and this will help the steady progress in the country's development.

More particularly, the following tax adjustments will be made during 1987:

1. Minimum income from wage and salary services and any type of pension is increased from 300,000 to 340,000 drachmas (increase of by 13.3 percent) and is estimated at a percentage of 50 percent up to an amount of 680,000 drachmas of net income. This income more than covers the average increase of anticipated inflation.

2. Tax rates for income from wage and salary services are reduced by a) 4 percentage points for declared incomes of up to 325,000 drachmas (or 665,000 if the income reduction of 340,000 drachmas is added). About 40 percent of the wage and salary earners and pensioners fall within the purview of this income scale; b) by 3 percentage points for incomes of from 325,001 to 395,000 (or from 665,001 to 735,000 adding the 340,000 drachma income reduction); and c) by 2 percentage points for incomes from 395,001 and over (or 735,001 and over with the 340,000 drachma reduction). Readjustments are also being made to income scales.

The establishment of reduced rates for taxing income of workers, employees and pensioners marks the beginning of a new tax policy for gradually lowering tax rates for incomes of all taxpayers, depending, of course, on the existing status of each taxpayer.

The adjustments shown in the next table aim at increasing disposable income of workers, employees and taxpayers up to an amount of 1,700,000 drachmas and with a rate fluctuating at inflation levels.

3. As concerns the impact of these adjustments on taxpayers who are single, a net income of 1 million drachmas in 1987 will have a reduced tax rate by 12 percent compared to 1986. This reduction may reach up to 27.5 percent for a net taxable income of 550,000 drachmas (or 645,000 gross income).

Also, untaxable net income of a wage or salary earner with a non-working wife and two children will be 829,000 drachmas compared to 725,000 in 1986 or gross income will increase to about 964,000 (843,000 in 1986). It will increase, that is, by 14.3 percent. This increase will more than cover anticipated inflation.

For a single worker or employee the untaxed limit of net income will reach about 341,000 drachmas (288,000 in 1986) and gross income will be increased to 369,900 drachmas (from about 334,800 in 1986), or it will increase by 18.5 percent.

#### Untaxable Limits

	1986 Income		1987 Income		% Increase of Net Income
	Net	Gross*	Net	Gross	
Single person	288,000	334,884	341,334	369,000	18.5
Married with wife and two children	725,500	843,605	829,000	963,953	14.3

\* Excluding rent, infant care stations, etc.

It should be noted that the above untaxed limits do not include deductions for rent, infant care stations, medical care, etc., which were allowed until now and which will increase considerably the untaxed income if added to it.

4. The percentage of rent deduction from income is increased for workers, employees and pensioners.
5. Tax credits for heads of large families and disabled persons are increased by about 15 percent. Thus, the tax decreases are as follows:
  - For the fourth child from 60,000 to 70,000 drachmas.
  - For the fifth child and more from 72,000 to 83,000 drachmas.
  - For disabled persons from 43,000 to 49,000 drachmas.
6. Exempted limits for dividends and assistance pensioners receive from Pension and Relief Funds are increased from 6,000 to 7,000 per month (an increase of 16.7 percent).
7. Assumed income indications are adjusted to current rent levels as regards pleasure boats and airplanes. Also readjusted are indicators for living expenses. Assumed income indicators are also extended to farmers and are based on ownership of cars of over 10 horsepower and for private use; also on ownership of pleasure boats and for their basic living expenses.
8. The system of objective determination of the value of a property for estimating property transfer tax is extended to all large cities of the country. Also, the rates now in force are being readjusted.
9. As of 1 January 1987 the new Code of Tax Data [KFS] which is the result of discussions with productive classes, will go into force. The new code will contribute to a simplification of tax procedures, to better organization of enterprises and to a reduction of their operational costs.

It will also contribute to a more effective apprehension of taxable incomes in conjunction with implementation of the FPA is helping the outfitting of the Ministry of Finance Computer Center [MIKYO] and the appointment of experienced personnel to the Service for the Control of Goods Movement [YPEDA]. On the other hand, spot checking of tax returns--a practice started in 1986--will contribute to combating tax evasion, and will also assist in the appointment of new personnel for a more efficient operation of the tax revenue offices and the Finance Ministry's other services.

#### Added Value Tax

The FPA will be introduced as of 1 January 1987. This new indirect taxation system will radically change the whole structure of indirect taxes, and for this reason it is justly characterized as the most meaningful institutional change in our tax system in the postwar period. By establishing this new system the government's aim is:

--To modernize the existing system of indirect taxes.

--To free transactions from the disadvantage of accrual as in the case mainly with the stamp tax and partially with the FKE.

--To make the tax system more equitable and socially acceptable with establishment of three rates depending on the degree of the luxury of goods and services which have been fixed at 6 percent, 18 percent and 36 percent.

--To encourage investments through the possibility of full deduction of the taxes burdening them.

--To simplify indirect taxation for both enterprises and for the public.

--To make transactions visible and at the same time free them from bad operation and bureaucracy.

--Finally, to make indirect taxation a tool of economic development with social criteria.

By introducing FPA as a replacement of about 25 other indirect taxes, the government's aim is not to increase revenues from taxes, but to collect equal revenue through FPA. From this point of view the impact from implementation of FPA is estimated as follows:

--A small but steady increase in investments is anticipated as of 1 January 1987.

--A corresponding increase in exports is expected as a result of the favorable impact of the tax on the prices of exported goods.

--The impact on the balance of payments will be favorable because of the comparable advantages Greek production will gain, and finally

--It is estimated that the impact on inflation will be about 2 percentage points.

#### Monetary Transactions With EEC

It is anticipated that monetary exchanges with EEC will have a net surplus (net receipts) of 255.9 billion compared to 151.6 billion in 1986--an increase of 68.9 percent which is the result of reduced payments and increased revenue.

Specifically, 1987 total payments to EEC will be smaller by 23.3 percent compared to 1986. This drop is due to reduced resources estimated on the basis of FPA, which in 1986 were overestimated. By contrast, the other categories of payments are expected to show a normal increase. It should be noted that for our 1986 contributions on the basis of FPA, the Community did not take into consideration the impact from the drachma devaluation compared to the ECU, while on the contrary, estimates in the 1987 budget were made on the basis of regular parity.

Receipts from EEC in 1987 are expected to increase by 34.2 percent compared to 1986. This increase is due to the expected EEC refund of 20.3 billion for 1986 overpayments. Receipts from the Community funds will be increased by 42.4 billion as a result of implementation of the Mediterranean Integrated Programs and of our application for EEC subsidies for new programs. Also, receipts from the FEOGA Section of Guarantees are expected to increase as a result of the increased subsidies for farm products.

#### Public Investments Budget

The Budget's general direction and objectives are:

Definition of the objectives and formulation of the total magnitude of 1987 Public Investments Budget [PDE] in a way which would ensure its greatest possible contribution to the microeconomy balance, employment, inflation and the balance of payments within the framework of the stabilization program.

Also, and within the limits of financing resources, the investment program of the public sector aims at decisively contributing to stimulation of developmental choices and fulfillment of the social policy the government charted in recent years.

This effort is clearly evident in the way appropriations are distributed among various sectors and in the special emphasis given to execution of certain investment projects in strategic production sectors and infrastructure projects.

More specifically, the 1987 PDE pays particular attention to projects of social infrastructure and sectors of education, health and welfare. At the same time it provides important support to productive investments in the area of industry as well as selective support to necessary infrastructure projects in the areas of tourism, transportation and land improvement projects.

Finally, it should be mentioned that the 1987 PDE pays particular attention to promoting projects which are part of the integrated developmental programs of regional or even of sectorial nature. Indicatively, we mention the Mediterranean Integrated Programs which have been in force since 1986 and programs for development of the Amvrakikos Bay, diversion of the Akhelos River waters, etc.

The PDE limit of payments in 1987 was fixed at 364 billion, an increase of 46 billion compared to 1986, and by 53.7 billion more than total payments expected to be realized. This figure does not include contributions to be paid by directly interested agencies as their participation to the cost of constructing certain projects (for example, water supply and sewage projects, municipal enterprises, etc.).



In comparison to total payments of last year, the 1987 PDE increase is 17.3 percent in current prices. But it must be noted that expenses for projects and studies will increase by 25.7 percent while on the contrary, payments for debt service and administrative expenses will decrease by 25.7 percent compared to 1986 payments. These data are shown more analytically in the table below.

Total 1987 PDE Magnitude (in million drachmas)					
	1986		1987		
	Amount	% Participation	Amount	% Participation	% Change
Expenses for projects, studies	281.1	90.6	342.3	94.0	21.8
Administrative expenses, etc.	29.2	9.4	21.7	6.0	-25.7
Total	310.3	100.0	364.0	100.0	17.3

The above data show that participation in expenses for projects and studies in 1987 increased to 94.0 percent from 90.6 percent in 1986, while that for administrative expenses dropped from 9.4 to 6.0 percent, correspondingly. This result expresses exactly the effort being exerted in recent years to relieve the program from operational and indirect investment expenses by transferring them gradually to the Ordinary Budget.

PDE income for covering expenses comes from the 6 billion EEC subsidy, 44 billion from the Mediterranean Integrated Programs, and 277 billion from credit revenue.

#### Distribution of Credits by Sector and Agency

Distribution of total payments to various sectors and agencies of the 1987 PDE was determined on the basis of the following objectives and priorities:

- The unimpeded financing of projects now in progress.
- The ensuring of the necessary time for completing projects being financed by international organizations.

Transportation projects absorb the greatest percentage increase of expenses (29.1 percent) as a result of the special effort by the government to ensure necessary financing of railroad investment programs. Specifically, of the total amount of 40.8 billion earmarked for transportation projects, the railroads will absorb 11.9 billion compared to 3.6 billion in 1986, while the amount to be spent for roads, ports, and airports will remain at the 28 billion level.

A total of 63.1 billion will be spent in the industrial sector compared to 49.4 billion which is expected to be spent by the end of 1986 or an increase of 27.7 percent. It should be added, however, that this amount includes 29 billion for financing the program for the reorganization of ailing enterprises. The program started last year when an equal amount was spent.

Therefore, if expenses for this program are not taken into account, the amount to be spent for other projects in the industrial sector will reach 34.1 billion or 48.9 percent more than in 1986. This development is related to implementation of private investments which will be included in the Mediterranean Integrated Programs.

Appropriations for education will reach 27 billion compared to 21.5 in 1986 or 20.0 percent more. It should be noted that this amount is for projects of national significance (construction of university installations, TEI, etc.) and school buildings in the Athens area.

A total of 16 billion will be spent in the Health-Welfare sector compared to 13.5 billion in 1986 (an increase of 18.5 percent). Also, the nomarchial treasuries will spend for health and welfare an amount equal to that spent in 1986, or 3.9 billion.

It is expected that in 1987 the Water Supply-Sewage sector will absorb 11.1 billion compared to 9 billion in 1986 (an increase of 23.3 percent). The nomarchial treasuries will spend 10 billion in 1986 and an equal amount in 1987.

An increase of 20 percent in expenses for agriculture is expected in 1987 and 15.7 percent for tourism, museums, monuments, etc. Financing of nomarchial programs was fixed at the original level of 70 billion. This amount will be increased considerably during the year with additional credits from reserve funds and from funds earmarked for other agencies of the program (for construction of specific projects--health centers, etc.) just as was done in the past. It is noted that in this way the nomarchies received in 1986 5 billion more than the original appropriated amount.

In the "miscellaneous" sector expenses will reach 61.2 billion compared to 51.9 in 1986 (an increase of 17.9 percent). This sector includes activities promoted by various central government departments and also includes the "Akheloos Program" which will absorb 3 billion compared to 800 million in 1986 and the program for combatting unemployment which will absorb 5.6 billion.

Finally, an amount of 12.5 billion is provided as a reserve fund for the 1987 PDE for coping with emergencies and financing special development programs which will be submitted to YPETHO [as published] by central and regional agencies during 1987.

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CSO: 3521/36

## ANALYSIS OF NEW BUDGET: DISHEARTENING PROSPECTS

Athens I KATHIMERINI in Greek 2 Dec 86 p 7

[Excerpts] The National Council for Private Initiative [ESIP] announced yesterday that the new state budget, which was made public last week, expresses a lack of economic policy since it cancels the stabilization policy adopted in 1985. The announcement adds that cancellation of the stabilization program postpones the recovery of the economy beyond 1992, the year originally forecast by ESIP.

More analytically, the ESIP announcement points out the following concerning the new budget: The minister of national economy and the premier have repeatedly insisted in recent statements that they will implement the economy's stabilization policy which calls for a decrease in demand and for balancing the system at a level of economic activity lower than that of recent years.

But the new budget eliminates the stabilization policy. Instead of controlling, it encourages consumer expenditures in the public sector. It sends a signal to the private initiative that it cannot undertake investments. It protects the public sector from the austerity policy which becomes more and more one sided since it is being shouldered exclusively by the private sector.

More still, this curious turn by the Ministry of Finance coincides with the fact that the new budget increases to a considerable degree the flow of capital to public enterprises and organizations [DEKO] whose administrations are liable for mismanagement of public funds or are of questionable standing. The question naturally arises: What criteria imposed such a choice at exactly a time when the public sector and its management are becoming, day by day, more and more untrustworthy?

The new budget calls for a tax burden in 1987 heavier than in any year in the past. With the use of bank deposits for covering the state deficit and the continuous increases in the price of goods and services offered by the public sector, we are experiencing a method of direct subsidizing; a larger part of the state budget is steadily used to decrease the DEKO deficits while no attempt whatsoever is being made in the meantime to restore the DEKO's to a healthy state. Such being the situation, any prospect of recovery--which ESIP had predicted for 1992--does not exist any more. Thus, coping with the dangers inherent in the new budget is becoming a major national issue.

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CSO: 3521/34

## EEC OFFICIAL WARNS GOVERNMENT ON ACCEPTANCE OF OBLIGATIONS

Athens I KATHIMERINI in Greek 4 Dec 86 p 1

[Excerpts] Brussels--Greece must understand that as an EEC member it not only has rights but obligations as well. This statement was made yesterday by Community Commission Chairman Zak Delors during an international press conference. Delors' view concerning Greece's obligations assumed particular significance as the Commission examined the Greek government's request for exemption from the Community regulations concerning export subsidies, down payments for imports, etc. The overall climate in the EEC Commission is rather negative concerning the condition of the Greek economy as well as the government's handling of the economy which has led it to the present downslide.

Almost all commissioners believe the stabilization measures of the Greek government failed and that the investment climate in Greece, as well as the attitude of the government towards the industrialists, are negative. They ask Greece to conform to EEC competition regulations and they want to terminate the grace period and exemptions granted thus far to Greece.

It appears that most members of the EEC Commission are convinced that the Greek government does not apply a proper economic policy and if it achieved some improvement in some sectors it is due rather to international conditions (decline of the dollar, drop in oil prices, etc.).

The pressures within the Commission continue and they will reach a peak on Monday when discussions will take place on the condition of the Greek economy as well as on payment of the second installment of the EEC loan to Greece.

The overall Community attitude toward Greece, toward the country's economy and the government's failure to persuade EEC that it follows a sound policy by adopting proper stabilization measures became apparent yesterday when the EEC Commission chairman--who feels rather friendly toward Greece--said the following:

"I have exerted all necessary efforts and I have personally tried to have Greece understand that it belongs to a community of nations and not to an inter-governmental organization."

This statement by Delors, coupled with what he said about Greece's "rights and obligations," is a warning to the government that at negotiations he will have Monday with appropriate commissioners, National Economy Minister Simitis, should show a compromising attitude and thus put an end to the unresolved matters between the Greek government and EEC.

The EEC Second Commission is about to make a report on the condition of the Greek economy and a recommendation to the EEC Council of Finance Ministers on granting the second installment of the loan. It appears the Commission is leaning toward extending to Greece "exemptions" from the EEC regulations, but at the same time Athens must make it indisputably clear that henceforth it will respect its obligations.

#### New Data Asked

Moreover, the willingness not "to execute in cold blood" the Greek economy was underlined by another, rather unusual, decision. At its meeting last week the EEC Monetary Commission took a clear and adamant position against the Greek government's handling in the economic sector. But following "political discussions," the Commission postponed its final decision and asked for new data from the National Economy Ministry.

The Commission will meet again Monday, the day the Council of Financial Ministers will also meet. This means that if negotiations between the EEC Commission and the Greek government reach a positive result, then the technocrats of the Monetary Commission will come to terms and issue an opinion which will allow the Council of Finance Ministers to reach a neutral decision on Greece so that the EEC Commission will, in its turn, grant the second installment of the loan.

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CSO: 3521/34

## CURRENT ACCOUNTS BALANCE DOWN, IMPORTS UP

Athens I KATHIMERINI in Greek 5 Dec 86 p 7

[Text] The October 1986 current accounts deficit was 171 million dollars compared to 235 million in October 1985, or there was an improvement of 27.2 percent. But, the Ministry of National Economy said that despite this improvement the result should be considered moderate. However, the result was satisfactory for the fifth straight month, while the total result for the first 10 months is equally satisfactory as was also November.

This result is evidently related to imports which, despite the restrictive measures (down payments, devaluation, etc.), continued to increase and thus offset the benefits from the drop in oil prices and receipts from EEC. Indeed, during the January-October 10-month period, the current accounts deficit was 1,497 million dollars compared to 2,681 million during the corresponding 1985 period or a benefit of 1,184 million dollars.

During the same period there is a corresponding benefit of 930 million dollars from fuels and 365 million from EEC, or a total of 1,315 million dollars--an amount much greater than the benefit the balance shows. This means that it was more than covered by the adverse developments of the balance's other accounts.

According to Bank of Greece preliminary data, development of the balance magnitudes during the January-October period in the past 3 years is as follows:

	1984	1985	1986
Imports	8,147	8,747	8,320
Exports	3,656	3,499	3,620
Trade balance	-4,493	-5,248	-4,700
Invisible resources	4,532	4,404	5,305
Invisible payments	1,737	1,837	2,102
Balance of Invisibles	2,795	2,567	3,203
Current Accounts Balance	-1,698	-2,681	-1,497
Capital movement	841	804	628

The above data show that:

1. This year imports dropped by 4.9 percent while last year they had increased by 7.3 percent. This 1986 drop is due to the exchange outlays for fuels which this year was limited to 1,440 million dollars compared to 2,464 last year. Without fuels other imports reached 6,880 million dollars compared to last year's 6,083 million, or they increased by 13.1 percent despite the restrictive measures.
2. Exports increased by 3.5 percent while during the same period last year they had decreased by 4.3 percent. Specifically, they increased by 14.1 percent without fuels compared to 5.5 percent the same period last year.
3. Invisible resources showed a significant recovery which is mainly due to tourist and emmigration exchange remittances whose rise, however, is explained by the dollar's fall. These remittances came mostly from European countries whose currencies are upvaluated in relation to the dollar.
4. Receipts from EEC reached 1,022 million dollars compared to 657 last year.
5. The import of private capital was slightly limited and dropped to 596 million dollars compared to 603 million last year.
6. At the end of October the exchange reserves were 2,283 million dollars compared to 1,326 million at the end of October last year.

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CSO: 3521/37

## BRIEFS

INDUSTRIAL PRODUCTION DOWN--Last summer's drop in industrial production continued through September when it dropped 6.0 percent compared to September 1985. But since in the first 1985 months production was high, the ninth month (January-September) production showed an increase of 1.2 percent. Specifically, the Statistical Service announced that the production index for mines, industry, and electricity-gas during September 1986 was as follows, compared to September 1985: The general index of the above categories shows a decrease of 5.3 percent. The mine production index dropped by 5.6 percent. The industrial production index dropped by 6.0 percent and the electricity-gas (city) production index showed an increase of 4.0 percent. More specifically, the electricity production index showed an increase of 3.9 percent. [Text] [Athens I KATHIMERINI in Greek 6 Dec 86 p 7] 7520

CSO: 3521/38



## PARTIES' DEFENSE SPENDING SCENARIOS REVIEWED

PM081601 Stockholm SVENSKA DAGBLADET in Swedish 16 Nov 86 p 6

[Lars Christiansson report: "Big Gap Between Defense Budget Bids"]

[Text] There are unlikely to be any real reinforcements of the Swedish defense forces, judging from the draft proposals with which the Defense Ministry is working in the final stages of work of the current Defense Committee. There will probably be no new Viggen division, no new coastal corvettes, and no new submarines.

The SK-60 lightweight attack aircraft will disappear in the coming 5-year period. Submarine reinforcements over and above those which have already been decided will be marginal. The Defense Ministry put it as follows: "There will be no organizational enlargement" of Sweden's defenses.

Since the 1972 Defense Planning Bill Sweden's defenses have been cut back drastically. The Defense Committee's 1984 report on security policy that appeared amidst agreement between the political parties stated frankly that "it can be stated that the number of qualified units in the Swedish defense forces has decreased in the last few decades."

Table 1

The rundown in the defense forces since 1972 is illustrated by the following figures:

	<u>1967</u>	<u>1987</u>
Modern infantry brigades	20	10
Other infantry brigades	-	8
Norrland brigades	4	5
Mechanized brigades	-	1
Armored brigades	6	4
Surface attack ships	57	34
Submarines	24	12
Minesweeping flotillas	14	8
Coastal artillery battalions	40	29
Pursuit aircraft divisions	22	11

[Table 1 continued from previous page]

Attack aircraft divisions	22	5.5
Lightweight attack aircraft divisions	-	4*
Surveillance aircraft divisions	10	6
Heavy transport aircraft	1	8
Missile-68 divisions	4	-

\* Will disappear during the 5-year period unless defense spending comes up to the level proposed by the commander in chief.

The committee's summary of Sweden's situation is that "the northern European and north Atlantic region's increased strategic importance, the antagonisms between the superpower blocs, and developments in military technology have together led to a situation in which Sweden's position has become more exposed in the context of crises and armed conflicts in the surrounding world."

The government has still not yet finally decided how much money it is prepared to invest in defense in the 1987-92 period which will be covered by next spring's Defense Planning Bill. It is largely a question of finance, it is said in government offices. The Defense Ministry and the government's representatives on the Defense Committee have produced a number of economic alternatives. The Finance Ministry considers that these alternatives are all too high. The alternative which [Svenska Dagbladet] here describes should be seen as the maximum to which the Social Democrats can be expected to go to strengthen defenses on the condition that the funds can be found.

The Defense Ministry's point of departure is one of the spending levels--that designated number 4--outlined in the armed forces commander in chief's planning program. Over the 5-year period it will cost 600 million kronor per year above the level which would mean unchanged spending on defense. In addition to these 600 million kronor there would be around 300 million kronor to cover the increased spending necessary as a result of the acute money problems in the Army and Navy and the increased cost of certain materiel. As a result the Defense Ministry's bid is a lowish 900 million kronor per year.

The Defense Ministry also wants to build a Swedish air-to-air missile instead of buying such a missile in the United States--something that had been planned since the inception of the JAS project. This will cost an extra 400 to 500 million kronor per year during the 5-year period, including the sum that the Defense Ministry considers necessary to maintain freedom of action in the missile field after 1992.

The Social Democrats are also intent on some reinforcements in addition to those contained in the 900 million kronor. This includes equipment to counter electronic warfare and antiaircraft defenses in the form of another battalion of medium-range antiaircraft missiles. Also included are improvements to the army's training system and payments to conscripts. This will cost a total of around 200 million kronor.

The Social Democrats' total bid would therefore be 1.6 billion kronor per year for 5 years including a Swedish-built air-to-air missile. Of this sum the Swedish missile project would take around 500 million per year. For the 5-year period this would mean 5.5 billion plus an additional 2.5 billion for the missiles, a total of 8 billion kronor.

The Social Democratic view is that the money for a Swedish-built air-to-air missile cannot, if the project does not happen, be used for other reinforcements to the Swedish defense forces. It is thought that the Swedish missile project has certain advantages for domestic industry and for the employment situation and that there are advantages from the neutrality aspect, because it would reduce Swedish dependence on the United States.

In essence this means that the Swedish defense forces would be given the materiel included in the 600 million kronor economic framework--that now totals 900 million because of the compensation for additional expenditure due to price increases. Table 2 shows that the defense forces would receive reinforcement in the field of equipment to counter electronic warfare, they would receive 12 new transport helicopters as well as additional heavy coastal missiles and more antiaircraft missiles. To this must be added more antiaircraft missiles and further equipment to counter electronic warfare as well as certain minor reinforcements of antisubmarine defenses.

Table 2

Level 4 (Liberal and Social Democrats)	Level 5 (Center Party)
Equipment to counter electronic warfare	More modern pursuit and attack weapons
Antisubmarine defenses	One additional submarine
Transport helicopters in the 5-year period	Improved coastal defense missiles
Antiaircraft missiles	Transport helicopters
	Additional light combat vehicles
	Additional antiaircraft missiles
	Protection against fragmentation bombs for the army
	Additional antitank helicopters
	Equipment to counter electronic warfare
[no costing figures given]	
Level 6 (Moderate Coalition Party)	Level 7 (Commander in Chief)
Land-based equipment to counter electronic warfare	Land-based equipment to counter electronic warfare
An increase in the number of base battalions with readiness units	An increase in the number of base battalions with readiness units
The lightweight SK-60 attack aircraft is retained	The lightweight SK-60 attack aircraft is retained

[Table 2 continued from previous page]

One new Viggen division	One new Viggen division
Attack and pursuit weapons	Attack and pursuit weapons
Equipment to counter electronic warfare	Equipment to counter electronic warfare
Coastal corvettes	Coastal corvettes
Two submarines over a longer period	Two submarines over a longer period
Significant increase in heavy coastal missiles	Significant increase in heavy coastal missiles
Antitank missiles and ammunition	Antitank missiles and ammunition
Development work for a new tank	Development work for a new combat vehicle
More antiaircraft missiles	More antiaircraft missiles
Protection against fragmentation bombs	Protection against fragmentation bombs
More transport and antitank helicopters	More transport and antitank helicopters
125,485 million kronor	129,269 million kronor
Full effect over 10 years	Achieved in part over 5 years

Given the situation in which the Defense Committee finds itself today it can be said that the Liberal Party has remained at its 600 million kronor per year bid plus additional funds to cover price and spending increases--and this would represent 4.5 billion kronor over the 5-year period. As a result the Liberal Party's bid is actually below that of the government if we ignore the cost of a Swedish-built missile.

The Center Party and the Moderate Coalition Party have proposed that instead of setting aside for the defense forces a sum of money determined in advance spending should be increased by 1.2 and 2 percent per year respectively during the 5 year period. Their proposals are based on the consideration that strengthening the defense forces is planned to continue into the subsequent defense planning bill period running from 1992 to 1997.

In the same way the armed forces commander in chief has chosen to increase defense spending by 3 percent per year over the next 5 years. The subsequent defense planning period would consequently start out at a higher economic level.

In a comparison of by how much the various parties are prepared to strengthen defenses in the 5-year period the Swedish-built missile must be omitted from the Social Democrats' figure. The figures have also been enlarged by 1.5 billion kronor to compensate for additional spending as a result of price rises over the whole 5-year period.

The figures are as follows:

Table 3

	Millions
Social Democrats	5,600
Liberal Party	4,500
Center Party	5,750
Moderate Coalition Party	8,750
Commander in chief	12,569

Even if in a comparison the Social Democrats and the Center Party seem to be close their proposed economic frameworks are different in several respects because the Center proposal is based on an automatic annual increase of 1.2 percent over the next 10 years.

As table 2 shows this system provides a considerable strengthening of the defense forces. Among other things, a new submarine can be ordered and anti-submarine defenses be improved through the acquisition of more submarine hunt helicopters, and greater investment can be made in defensive equipment and better arms for the JAS, to mention only a couple of things.

In the Moderates' construction, which is based on a 2 percent annual increase, the effect of the increases proposed increases dramatically, as table 2 shows, in the form, for example, of a Viggen division, more coastal corvettes, yet more medium-range antiaircraft missiles, the SK-60 lightweight attack aircraft will be kept, and so on.

The commander in chief's proposal involving a 3 percent annual increase over 5 years means that the same effect would be achieved even more rapidly.

According to the commander in chief it is only through the Moderates' or his own proposal that the Swedish defense forces will be able to maintain their present strength in relation to developments in the rest of the world.

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CSO: 3650/26

## STATUS OF FREE MARKET ECONOMY EXAMINED

Istanbul MILLIYET in Turkish 10 Sep 86 p 10

[Article by Dr. Ahmet Incekara]

[Text] A prominent feature of the 24 Jan 80 economic decree was its intention to make the free market economy work. This feature has become more pronounced since 84 in line with the economic philosophy of the government. This article will comment upon the difficulties involved in that enterprise, to be followed by some recommendations. But first a brief clarification on free market economy.

## Free Market and the Price Mechanism

Since 63 Turkey's economic development has been conducted within the framework of a planned, mixed economy model. While public sector operates in accordance with plans and programmes, private sector functions according to signals received from the market together with other institutional and social factors. However, the deviations and malfunctions in the operation of the market, and their causes and solutions, can only be discussed against the perfect model of a free market.

In a free or fully competitive market there are many producers and consumers none of which can influence the price of goods and services they produce or consume. Prices are determined according to the balance of supply and demand. There is no interference in the market from outside. Everyone may engage in any business he likes; there are no constraints upon enterprise.

## Price Mechanism: The Most Important Instrument

We can thus say that the most important instrument enabling the free market to function is the price mechanism. For this mechanism to function smoothly the economy has to meet certain conditions:

- Market prices should reflect product inputs and the real values of goods and services. There should be no intervention in the formation of price levels. If there is, prices would perform poorly as indicators of optimum resource allocation among production options
- Income distribution should be fair, and inequality should be confined within reasonable limits
- There should be no monopolistic practices or tendencies within the economy, and contending groups in the market -- producers, consumers and sellers -- should not form associations with a view to influencing prices
- Presence of external economies should be kept within limits. Economic units should be autonomous so far as their profitability is concerned, and units should not unduly share in each other's gains and losses
- The economic and social infrastructure should be in place to ensure freedom of enterprise and equality of opportunity

So, the healthy functioning of the free market largely depends upon the price mechanism. But creating the conditions for the smooth functioning of the price mechanism often necessitates intervention in the economy.

#### The Situation in Turkey

The issue is not the establishment of an ideal free market mechanism but the improvement of the existing one which operates rather poorly and deficiently. The approach should be realistic and the improvements should be made within certain limits to make sure that the improved mechanism fits into the structure of the economy. That is because, particularly in the economies of the developing countries, there are too many factors preventing the market mechanism from functioning in a rational manner. One might also point out that economic development, which happens to be the underlying objective of economic policies in developing countries, itself constitutes a legitimate reason for intervention in the economy, and consequently in the market. Even in today's advanced economies one sees intervention, based upon the modern conception of the social state. The important thing for the developing economies is to decide upon an overall package of long-term economic policies based on sound observation, and making optimum use of the free market mechanism, avoiding unnecessary intervention in the process.

#### Proposals

What should be done to ensure the proper functioning, or the improvement, of the free market mechanism in Turkey? Being a developing economy, the Turkish economy is subject to state intervention in many fields and at varying degrees. The fol-

lowing may be listed as measures designed to avoid unnecessary intervention, and improve the mechanism as a whole:

1. To provide the necessary conditions and environment for the proper functioning of the price mechanism (which has the most important role in the operation of the free market.) So long as prices of goods and services, wages, interest rates and exchange rates reflect real values, the incidence of unnecessary intervention would be reduced. One might add that this does not mean the abolition of labor unions or the collective bargaining system just to make sure that wages find their own level. The state, instead of interfering with wages, should organize the system of the labor unions and collective bargaining in the best possible manner. As we already mentioned the conditions necessary for the proper functioning of the price mechanism, we do not intend to repeat them here.

2. To establish a correct, realistic and long-term economic policy that grasps the essence of the country's condition through sound observation. Concurrently, rules of rationality should be established in markets for goods, services and factors of production, and intervention should take place just to prevent deviations from those rules. Instruments of intervention, like incentives and deterrence measures, should be employed in a rational manner within the framework of pre-determined long-term policies.

## Conclusion

In conclusion, I could say that the 24 Jan 80 decree and the post-84 policies of the government have not brought about a complete transition to a free market economy as yet, but efforts to create the necessary conditions for it have begun. The transition is bound to take some time. But we believe important steps have been taken in that direction. However, it is not possible to change the behavior of all the actors involved -- workers, employers, consumers, producers -- in such a short time along pre-determined objectives. The important thing is making sure that the end results of the transition -- productivity, quality, good prices -- are passed on to the end consumer, that is, the people.

12466  
CS0: 3554/29



## ECONOMIST OPTIMISTIC ON ECONOMY

Istanbul TERCUMAN in Turkish 11 Sep 86 p 2

[Article by Professor Latif Cakici]

[Text] For the last 6-8 months we see nothing but pessimistic articles and commentaries in the press which give the impression of "all is lost, the economy has collapsed, it is driven to a cul-de-sac by those in charge who made too many mistakes." No doubt they mean well, want to see the country prosper, stability returned, unemployment resolved through development accompanied by low inflation and so on. But these writings tend to create a pessimistic effect on those who read them, being led to conclude that no good comes out of anything, and that the economy is slowly sinking.

In this article we want to take an objective but optimistic look at the performance of the Turkish economy, and draw attention to the more positive aspects of the recent performance. Ignoring all positive aspects and constantly harping on the negative does not benefit the country and its people. We think it is even detrimental. Therefore we want to make an economic evaluation of 86 based on available data.

#### Developments

One might summarize the major developments in Turkish economy during 86 as follows:

1. First of all, rate of growth has reached its highest level for the past 10 years. Whether the rate is 7.8 percent or not is a matter of public debate, but certainly it is not below 5.5-6 percent. Rates of growth have been below zero in recent years, so this is hardly bad news.

2. Investment figures in 86 indicate positive developments. There has been a substantial increase in the number of investment certificates issued by the State Planning Organization. The ratio of investment goods to total imports has risen considerably. Housing permits have also registered a big

increase. Figures in these three items are indicative of an investment mobilization in the country which will help resolve the unemployment problem.

3. Then there is the much-talked about issue of price rises. Lets take a closer look:

In the first 6 months of 86 price rises have been relatively low compared to the same period in 85. During this period prices have risen in Ankara by 12.6 percent as opposed to 20 percent in 85, and comparable figures in Istanbul are 13.9 and 22.5 percent, respectively. Fall in prices of oil and oil-based commodities are no doubt largely responsible for this. But one should not overlook the timely manner in which the fall in prices has been transmitted to domestic prices.

4. Foreign exchange occupies a special place in the overall economic picture of 86. As official exchange rate was kept close to the market rate the policy was approved in business circles as well as by international organizations. As we know the dollar stayed around the TL 700 range during the last 3 months without much fluctuation. As to the frequent rumors that the country faces foreign currency bottleneck, now or in the very near future, the situation is as follows:

Due to the general feeling that the government is stalling the anticipated exchange rate adjustment until after the election some firms have decided to purchase investment machinery, equipment and raw materials before adjustment takes place. That explains why there seems to be such a high demand for foreign currency these days. All this can be viewed even as positive considering that construction is being expedited. Despite the high demand, all requests for foreign currency are being met, as indicated by the small differential between Central Bank and black market rates. All this may be viewed as a successful outcome of the policies that have been carried out.

5. Along with positive developments in the current account in 85, it is expected that the balance of payments problem will be largely resolved at the end of 86 having got a boost from developments in world economy, and no more difficulties are expected. Turkey stands to gain around \$2 billion as a result of the fall in oil prices. But it is also necessary that oil exporting countries do not introduce cutbacks in their prospective imports from Turkey. In recent months intensive efforts have been made in diplomatic and economic spheres to try and maintain our export markets in these countries.

Adding all pluses and minuses together, that is, assuming that the drop in our exports to Iran and Iraq, together with the expected fall in our tourism revenues, does not exceed \$1

billion, and that our savings resulting from the fall in oil prices is \$2 billion, and that no major devaluation takes place after elections, we can expect to see the stabilization of our foreign economic relations in 86.

6. One of the most positive developments in the economic field in 86 has been that clarity, however partial, was brought to the market. Openness has become the order of the day where banks and other financial organizations are concerned. This means that it will be possible for the public to follow and understand government policies in financial matters.

7. Meanwhile, the housing sector has been singled out as the engine of the economy for giving some impetus to investments. Increasingly more attention is being given to the armaments and automotive sectors. The activation of these sectors will probably start yielding results by mid-87.

8. Since it interests almost everybody we want to say a few words about the relation between inflation and money supply. One often hears cries of "Central Bank is printing money, there will be more inflation." It is true that there is a relation between money supply and price level but it is no longer the one-to-one relation it used to be. It is one factor among many. Unless money supply adequately meets the demand for money generated by volume of economic activity the business world would be compelled to create its own instruments of exchange. The recent flourishing of financial instruments such as the 31-61 day bonds and extended credit are indications of that. Therefore printing money to the extent required by the economy (TL 1 trillion 700 billion at present) is no cause for worry. In any case if available money proves excessive there are mechanisms at our disposal to withdraw some of it immediately.

#### Inflation

Finally there is the much-criticized issue of inflation expected to be 30-35 percent this year. One might well regard this as a success if Turkey has managed to lower its inflation rate from three-digit figures to 30 percent or thereabouts. In the long term it would be much better to lower inflation gradually but surely, instead of paralyzing the economy to prevent inflation. Meanwhile, changes in taxation laws have been introduced during the year, with a view to gradually reducing the budget deficit -- which is seen as another cause of inflation, started bearing fruit. For instance, we believe that the Value Added Tax and its checks-and-balances instrument -- rise in income and Corporation taxes -- will be effective in putting an end to open budget policies.

In conclusion, we can say that industrialists, exporters, businessmen, and those managing the economy have all acquired a good deal of experience in the last 5-6 years, and if these accumulated experiences are put into good use in the right direction there is no need to be pessimistic about economic developments.

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## INCREASING NUMBER OF WOMEN IN ARMED FORCES

Brussels LA LIBRE BELGIQUE in French 10 Oct 86 p 3

[Article by Roger Rosart: "More Women in the Army, with Lower Physical Requirements"]

[Text] Male candidates will also benefit from less stringent physical requirements.

For a long time, it has been known in the army that the extension of military service (12 months in Belgium and 10 months in Germany beginning on 1 March 1987, as against the present 10 and eight months) will be insufficient to fill the gaps among regular army personnel. This is especially true since the militiamen do not "reenlist" in sufficient numbers for an additional three or six months and since the minister is planning to assign 400 of them to the gendarmery, where there is also a shortage of personnel. Therefore, the national defense minister, Francois-Xavier de Donnea, has decided, with the encouragement of Mme Miet Smet, secretary of state for social emancipation, to persuade women to volunteer for military service in the army and the gendarmery.

Since 1975

This is not a new subject, for the first female candidates were admitted in 1975 and then in 1976. Mr Vanden Boeynants, at the time national defense minister, introduced the first female officer. The "New York Convention"--and the laws resulting from it--compelled us, in 1981, to regulate further the admittance of women into the army.

Under equal rights, women were to satisfy the same requirements as the men, particularly physical requirements. Now, during a press conference on Thursday, Mr de Donnea and Mme Smet pointed out that the morphological and physical differences between the two sexes, cannot be denied. Therefore, fewer and fewer female candidates were admitted and the number of female military personnel became stagnant, even slightly lower after 1982.

More Than Three Thousand

Today, there are 3,417 women (i.e., a little less than 6 percent of the overall total of 60,000 active duty military personnel) divided into 138 officers (4 percent), 640 non-commissioned officers (19 percent), and 2,639 voluntarily enlisted personnel (77 percent) or, if it is preferred, they

make up 2.2 percent of all officer personnel, 2.7 percent of non-commissioned officers, and 10.2 percent of the voluntarily enlisted corporals and soldiers.

In the medical service, they represent 12.8 percent of the active duty personnel; in the air force, they represent 7.2 percent; in the navy 8.4 percent, and in the ground forces 5.2 percent of the approximately 36,000 members of the active duty personnel. One of the women is a tank commander in an armored unit; however, if our memory is correct (did it not involve the 2nd J.P. [Jagdpanzer-tank destroyer] where she excites the admiration of the men in her platoon?), for personal reasons, she had to accept a transfer.

#### In the Gendarmery

There are only 26 women in the gendarmery (2 senior non-commissioned officers, and 24 junior non-commissioned officers seven of whom are instructors). Three of the women are assigned to the Special Strike Company (ESI) that is called upon to handle "difficult" missions. Finally, on the subject of female military personnel, Belgium, with women making up 6 percent of its total military complement, ranks behind the United States (9.9 percent) and Canada (8.9 percent).

It is, therefore, important, for obvious reasons, to accept more applications.

Physical requirements, therefore, will be pared down, which, incidentally, will become the same for male applicants, including applicants for the gendarmery. It will be possible then to prevent military personnel, under the terms of the laws resulting from the New York Convention, from appealing to the Council of State, the Supreme Court of Appeals, or, even to international courts.

#### Mother and Soldier

Day care centers will be set up for Belgian forces in Germany, because 80 percent of the married women in Belgium's forces are married to a military man. As for knowing how to resolve the problem of women anxious to respond, in time of war, to their maternal obligations (to send their children home) before their military obligations (rejoining their units in the field), the national defense minister has admitted that he was unable to present a perfect solution to the problem.

It is to be further noted that, after completing their military service, women will, in accordance with their desires, either be assigned or not assigned to the reserves.

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## UNPUBLICIZED ANNEX TO DICA AGREEMENT DISCLOSED

Athens PONDIKI in Greek 21 Nov 86 pp 22, 23

[Excerpts] Finally after months of whispers and timid talk, Greek-American relations are apparently getting into orbit since the central issue of the bases is "settled" to their satisfaction in 1987 as we had reported earlier. Of course we were the first to do so. In Washington, Papoulias said it openly and no one came out to disavow his words. Moreover, little doubt remains that Andreas will visit the U.S. next year since the step-by-step movement is turning into a passionate tango.

Since the question of keeping the bases after 1988 is entering into a dialogue for a new agreement, the way is now open to unblock other bilateral issues, namely:

--The agreement for the Voice of America where all is ready, save one or two political decisions.

--The question of the agreement on the legal Status of the American Forces in Greece [SOFA] where difficulties concerning operational and labor relations in the bases do not appear unsurmountable at all.

And provided that calm waters will continue, the Americans are expected to show interest

--in actual implementation of the Defense and Industrial Cooperation Agreement [DICA];

--in a good tourist agreement;

--in friendly economic work; and

--in stopping the international behind-the-scene undermining of our country's economic relations.

In other words, after taking so much from Greece, it would be indecent not to give something. And, friends, don't try to understand all this in an ideological context because you are going to get lost in a fog. The soul of our socialists is unfathomable...

In the following story PONDIKI gives:

1. The complete text of the DICA agreement which was made public (after much trouble) and published yesterday in full, but only in ELEVTHEROTYPIA.
2. One of the two "Annexes" attached to the DICA agreement, which the government (Kharalambopoulos) refused to make public. It is not necessary to say that the Annex is published here exclusively.

The most important aspect is the repair of Sixth Fleet vessels in Greek shipyards. Annex A does not say whether repairs will be done in Syros or whether a condition has been attached to discontinue the agreement for repair of Soviet auxiliary fleet vessels there. Of course, if we are to do repairs for both countries, so much the better.

This is the unknown Annex:

The text of Annex A of the DICA Greek-American agreement states: "The programs under consideration include, but are not limited to, the following:

1. Ship Repairs: Ship repairs by Greek shipyards are limited to the type of work described in the basic agreement for repairs of American vessels in Greece and in accordance with the needs of the Fleet Commander.
2. Modernization of Tanks: Modernization through FMS funds of the fire-control system of Greek Army tanks. The Greek industry will take part in this.
3. Replacement of A-7 Loss-Modernization: Replacement of A-7 decaying aircraft through FMS procedures. Modernizing such planes through FMS or commercial arrangements. The Greek industry will participate in this work.
4. Upgrading Maintenance of the Missile System: Extension of Greek maintenance of Harpoon and Sparrow missiles at the intermediate level.
5. Production of T-34 (training aircraft): Providing a technological information package, tools and mechanical equipment for production of the T-34 in Greece. This program may be implemented through FMS or on a commercial basis with the Beach Corporation.
6. Remote P. Vehicle (RPV): Leasing by the U.S. Navy to an American contractor of BQM-74C (Chukhr III) RPV's and of support systems. The contractor will submit an application for an export license aiming at joint production with Greece and export of a BQM-74C version to be used for reconnaissance."

In addition to the specific programs mentioned above, there are others under consideration in the context of Article 4 of this Agreement. Such projects will be considered by a Greek-American committee for cooperation in defense industries specified in Article 7 of this Agreement.

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BILLIONS NEEDED TO SAVE KATTEGATT, NORTH SEA

Costly Plan Not Accepted

Stockholm NY TEKNIK in Swedish 6 Nov 86 p 3

[Article by Staffan Dahllöf]

[Text] Two weeks after the alarm was sounded that animals were dying on the seabed of Kattegatt, the Danish government presented a plan of action.

"It is not enough," say a host of critics, led by the Danish Environmental Protection Association.

The alarm was sounded after lobsters were found to have died from a shortage of oxygen. Research vessels from the Environmental Protection Board took samples and the cause was soon clear: the seabed fauna is dead as a result of the excessive use of fertilizers. The same condition has been found repeatedly on the Swedish side, especially in Laholm Bay.

The Danish Environmental Protection Association demanded immediate action. After 2 weeks the government came out with its "monumental" plan:

Illegal emissions from sewer systems, industry, and agriculture would be stopped within 7 months;

The use of commercial fertilizers would be reduced by about one third, through voluntary agreements;

Permits for industrial companies to dump waste water outside the municipal treatment plants would be reviewed by 1988 at the latest.

According to Prime Minister Schluter, these measures will cost the country almost 10 billion Danish kroner.

Still, the criticism is harsh.

"Neither plan nor action, said David Rehling, director of the Environmental Protection Association.

In agreement with this criticism is the "green majority" in parliament, which may press for tougher measures.

#### Known For Many Years

The explanation is that the reasons for excessive fertilization have been known for many years and that, once again, agriculture is getting away with voluntary agreements.

A government study found in 1984 that of 296,000 tons of unpurified nitrogen emitted, 200,000 tons came from fertilizers used in agriculture. Nevertheless, the Agriculture Ministry was "unable to find any significant overuse of fertilizers."

Last year the politicians turned down a proposed environmental tax on synthetic fertilizers. On the other hand, they passed stricter regulations for handling manure.

#### Unsatisfactory Conditions

The acute oxygen shortage in Kattegatt has also shed light on some unsatisfactory conditions in various municipalities:

Thirty percent of all waste treatment plants have only mechanical purification or none at all;

Only 2 percent of all sewage is treated in three stages: mechanical, biological, and chemical;

Between 10 and 50 percent of the Danish treatment plants exceed permissible levels, according to a questionnaire sent to local governments by the newspaper JYLLANDS-POSTEN;

A 1982 law called for "recipient quality plans"--estimates by local governments as to what the environment could tolerate. These plans either have not been made or are now being formulated.

According to DAGENS NYHETER, Environmental Affairs and Energy Minister Birgitta Dahl had an "extremely serious conversation" with her Danish counterpart, Mr Christensen, concerning steps against pollution of the sea. The internal deliberations within the Danish government are also said to have been bitter. On the issue of nitrogenous fertilizers, Christensen gained the support of his fellow cabinet members only for voluntary restrictions.

## Campaign to Clean North Sea

Stockholm NY TEKNIK in Swedish 6 Nov 86 p 10

[Article: "Campaign for Cleaner North Sea"]

[Text] Pollution in large sections of the North Sea has now reached such proportions that there is a danger of a widespread oxygen shortage. The situation could rapidly become as bad as it is in Danish and Swedish waters, where fish and seabed animals have been injured or killed.

This was indicated in a report that the Danish Environmental Protection Association recently made public in the fishing town of Esbjerg on the west coast of Jutland.

The Environmental Protection Association will begin a campaign leading up to the Second Conference of Ministers on Pollution in the North Sea. The conference will be held in London next fall. The campaign will be conducted in conjunction with environmental groups in Sweden, Norway, Great Britain, Ireland, France, the Netherlands, Belgium, and West Germany.

The goal is to make the politicians realize how serious the North Sea situation is and see that quick countermeasures are needed.

The Danish Environmental Protection Association believes that no decisive steps have been taken to stop pollution of the North Sea, despite all the promises that were made at the first conference of ministers in Bremen in 1984.

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- END -